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the MANAGEMENT REVIEW

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JUNE, 1949

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General Management

The General Business Outlook

PROPHECY is always dangerous, particularly so when it may cause adoption of wrong policies. This discussion, then, will beat a hasty retreat from the prophetic and undertake to analyze the important factors in the current situation and where they point.

It should be borne in mind at the outset that we have an economy and a standard of living which permit the right of choice. We have a margin or surplus in our pockets, in our bank accounts, and in other property. This margin or surplus gives us, as consumers and as business men, the right inseparably linked with our precious freedom to spend or to refrain from spending. We citizens, by exercising that right of choice, will determine to an important degree whether our economy ticks well or ticks poorly.

Make no mistake, we can create trouble if we are only stupid enough. L. R. Boulware, Vice President of General Electric, recently made a speech in which he showed some faith in our capacity to act like ignoramuses. He asked the rhetorical question: "How are we acting?", and answered it: "Just like we had been studying to be half-wits."

Before we go into some of the stupidities we can commit, let's look at the hard facts and see what cause there is for real alarm at the moment.

What has been happening since the fall of 1948?

Out of the confusion of economic reporting and guessing in the last six months, the following basic facts emerge clearly:

1. The great pressure of demand on supply has been considerably reduced. Production has increased so rapidly that we have made good many of the urgent backlogs of demand left by the war.

2. Consumer and business spending have declined slightly. Total retail sales in January, 1949, were about 2 per cent below sales in January, 1948. Probably more significant is the fact that consumers are now spending a smaller share of their incomes than in earlier postwar years. Business inventories in January, 1948, increased in value by more than $1 billion; in January, 1949, however, the increase was only $165 million. Clearly, part of this reduction is a decline in building up of physical volume of inventories. Business expenditures for plant and equipment seem to be holding up well thus far, running at about the level of the latter part of '48.

3. Prices of many products are softening.

4. Shortages have been largely eliminated. We now have businesses building their sales forces, going after business, being nice to buyers.

5. With the general easing of the pressure of demand has come a slight decline in production. According to the Federal Reserve Index, production is down from its peak of 195 in October, 1948, to 189 in February, 1949. This is a decline of only 3 per cent. Most

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lines of activity have shared in this decline.

6. Construction volume has remained high. Recent estimates predict over $18 billions of construction in 1949, almost the same as a year ago.

7. Unemployment has increased. So far this year, unemployment has been running about 600,000 to 700,000 above the figures for the same month a year ago. If this relation to 1948 should be maintained throughout the present year, average 1949 unemployment would be about 3 million, or about 5 per cent of the labor force—a figure which would leave us at or close to a normal high employment level.

What has occurred so far has not been a depression. What occurs from now on will depend largely on what we as government, business, labor, and consumers do. What are the mistakes which could lead us into depression? Here's one prescription:

1. Encourage the already great feeling of uncertainty about the business situation which is in many minds enormously exaggerated by the perspective of the past 20 years.

2. Increase this great uncertainty through government tax policies or price control or investment control policies apparently based on failure to understand and appreciate the crucial role of business decisions, especially investment decisions, in maintaining prosperity.

3. Business could help bring on a depression if, on the basis of economic and political uncertainties, it should radically cut present plans for plant and equipment expenditures.

4. A contributor to a real decline would be a general business policy to increase or even, in some cases, sustain profit margins. As productivity rises, and particularly if business investment expenditures are not rising or are declining, continued prosperity requires that consumers' real incomes should rise so that they may purchase the increased flow of consumer goods that will be available. One important way in which that rise of consumers' real incomes can be brought about is by some decline of prices as improved productivity reduces costs.

5. A fifth mistake which would help to promote a depression would be for labor to insist vigorously on wage increases beyond the capacity of the economy to provide them out of increased productivity.

6. Another mistake would be to cut down our selling effort—advertising and sales promotion—just at a time when greater volume is needed.

7. The final mistake we can make is for consumers to take fright at real and fancied economic difficulties and begin to hoard their money.

Even if we do all these wrong things, I do not believe we would have a depression as severe as that of the 1930's. Given certain basic features of our present situation, I am sure that would not happen. We are not going to have a collapse of our banking system and money supply. We will cushion unemployment with unemployment compensation. Whether we like it or not, we have a very large piece of the total market assured by the high level of government expenditures. For these and other reasons, economic catastrophe seems out of the question.

Our vital problem now is how can we maintain prosperity? What we need to maintain prosperity in these favorable conditions is roughly the following:

First, we should appreciate that our economic system has much greater capacity for maintaining stability than it

ever did before. This in itself would be a major contribution to avoiding a serious depression.

Second, we need to get an understanding between business and government. We need to work out and clarify a policy which serves the common interest of all of us in maintaining stability in a free enterprise system.

Third, business and labor must recognize on the one hand that there is a need for continuous increase of consumers' real incomes as productivity grows and on the other hand that an attempt to force the increase of real incomes much beyond the growth of productivity cannot succeed but can only lead to inflation or unemployment.

Fourth, many businesses still need to learn that the war is over, that their particular sellers' market is gone, and that they must resume the normal practice of pricing and marketing their products aggressively to promote sales.

Fifth, we should try to use the large Federal budget in a way that will help to stabilize the economy. The Commitee for Economic Development has spelled out in a policy statement the essential steps for doing this. The most relevant point here is that if we get some decline in national income and thus some decline in tax revenue, we should not try to restore tax revenues by raising tax rates. That would only result in a further decline in national income.

Finally, we must be prepared to use to the full the instruments which the government has in its monetary and debt policy for preventing depression. The Federal Reserve has already taken two steps in this direction—relaxation of installment credit controls and the relaxation of margin requirements. There are still a number of arrows in this quiver which could be used if needed. Among these are a reduction of reserve requirements and an increase of bond purchases by the Federal Reserve.

We cannot leave stability to chance. The stakes are higher now than they used to be. Today depression would mean not only unemployment, reduction in living standards and loss of progress. It might well mean also the loss of our freedom, of our independence as a people. The major depressions of the past were not God-made. Booms and busts like those of the past are not inevitable. There is sufficient intelligence in the American people to work together for the public good so that our economic system can be preserved and improved. It will not be preserved if the elements within the economy—government, business, labor, the general public—attempt to impose policies upon one another. Or if there is hostility among them. We have the opportunity and the ability, if we but use it, to do what no other nation on earth has been able to do, namely, demonstrate that we can develop enough wisdom and statesmanship on the economic level to preserve the economy as a free economy.

From an address by W. Walter Williams before the Mortgage Bankers Association of America.

Labor in Business

CIO'S United Automobile Workers is driving ahead with plans to set up workers in business for themselves.

The only union to put the full weight of its international organization behind consumer cooperatives, UAW has been educating its members in co-op techniques for two years. Now its campaign is picking up speed. During 1948, the union started five co-ops in Detroit, Flint, Pontiac, and Lansing, Mich. They sell grocer-

ies, home appliances, work clothes, and auto supplies. The biggest, in one of Detroit's factory sections, has a steady volume of $10,000 a week. Before the year's end, from 10 to 12 more co-ops should be in operation.

These are no longer union-operated stores for union members. They are true consumer cooperatives, open to all, based on the principles evolved at Rochdale, England, in 1844. The co-op idea in this country, previously confined chiefly to farm and small-town areas, has been seized upon by the industrial unions as a possible answer to their search for "economic democracy."

Victor Reuther, educational director of UAW, told a press conference that "the cooperative movement is the entrance of the truly democratic principle into business." He pointed to Sweden where, he said, a big fraction of all business is done by co-ops, and his meaning was plain: Why not here?

Every co-op started under union auspices has been helped along by funds from local treasuries. Even sacrosanct strike funds can be touched, a decision that required special authorization from the international executive board.

Each of the more than 1,100 UAW locals has a co-op committee—some are active, some moribund. When a local, helped by reams of educational material from the central office, shows enough enthusiasm for a co-op, a full-time organizer is brought in. Policy requires at least 1,000 member families and a kitty of $25,000 before definite plans are undertaken.

Co-op shops make price comparison surveys to show their customers the current situation. Some findings: On January 2, the Flint co-op was selling its own brand 46-ounce can of grade "A" tomato juice for 23 cents, while the same grade juice in the same size can was priced at 29 cents at the town's A. & P. and at an independent store. The co-op sold 32 ounces of floor wax for 69 cents; the other two stores got 98 cents. On a list of 69 items, co-op prices were best on 32, A. & P. best on 12, the independent best on five. The others were the same, or were not comparable.

Consumer cooperative activity in this country has reached impressive proportions already. It claims more than 2,500,000 families as members. In 1947, these families actually owned 6,000 retail businesses, 24 wholesale units, and 176 manufacturing plants. They sold over $1 billion worth of goods.

—David Ives in *The Wall Street Journal* 1/31/49

The Public Appraises Its Financial Well-Being

WITH unemployment increasing and now at the highest point in several years, one might expect people to consider themselves less prosperous. The contrary seems to be true. This was ascertained in a coast-to-coast survey of people in their homes recently conducted by The Psychological Corporation.

In reply to the question: "Is your family more prosperous or better off today than two years ago, less prosperous, or the same?", 27 per cent of the survey respondents indicated their belief that they were more prosperous; 47 per cent said they were just as prosperous; 23 per cent, less prosperous; 3 per cent, uncertain.

Comparison of these replies with responses in a similar Psychological Barometer survey conducted in November, 1948, suggests that people may even consider themselves slightly more prosperous now than they did at that time. Percentages giving the same replies in the 1948 survey, broken down in the same order, are: 24, 46, 26, 4.

Non-union workers responding to the 1949 survey seem to consider themselves better off than do union workers. Of the non-union people questioned, 27 per cent said they were more prosperous; 49 per cent, just as prosperous; 21 per cent, less prosperous; and 3 per cent were uncertain. Percentages for union members' replies, broken down in the same order, are: 25, 45, 28, and 2.

This relatively better standing of non-union members as compared with union members may be due in part to the time lost by unionized workers through strikes, material shortages which are more prevalent in factory operations, strikes in related industries, and recent layoffs or shutting of plants.

Where Karl Marx Went Wrong

IT was 101 years ago that Marx and Engles wrote the *Communist Manifesto,* which began with the words, "A specter is haunting Europe, the specter of communism." This sounds like today's newspaper. That was the year gold was discovered in California, before the covered wagon began to roll across the plains. That date is significant.

A little later, in London, Marx wrote *Das Kapital,* the bible of the communists and socialists. As a reporter of facts, Marx was accurate. The conditions of the workers in England a century ago, as he points out, were grim. Women pulled canal boats along the tow-path with ropes over their shoulders. Women were harnessed to cars pulling coal out of British mines. In the textile mills, children began to work when they were 9 or 10 years old, and worked 12 to 15 hours a day. In many cases, the beds in which they slept never got cold, as one shift took the place of the other. Tuberculosis and other occupational diseases killed them off like flies.

Conditions were terrible. Not only Marx, but other warm-hearted men, such as Charles Dickens, Ruskin, and Carlyle, poured out a literature of protest which was read around the world.

On his facts, Marx can scarcely be challenged. But his diagnosis was wrong and thus the remedy he prescribed was wrong also.

Marx said these terrible conditions were due to greed, exploitation, the theft by the owners of the mines and mills of what he called the "surplus value" produced by the workers. That was his diagnosis, and therefore his remedy was to preach the gospel of hate, of the class struggle, of the redistribution of wealth, of the confiscation of property, and its ownership and management by the state.

Now, if that diagnosis and remedy were, and still are, in the main, correct, we have little business fighting communism—either in Europe or in the United States. It becomes mighty important, therefore, to ask whether Marx' diagnosis was correct.

Unfortunately, "man's inhumanity to man" has always been a factor in human affairs. Greed never can be defended whether in business or government. Sympathy for the underdog will always have its work to do. Always, certainly in communist Russia—with its forced labor camps where millions are in slavery today. But greed and exploitation are not cured by socialism!

Greed was not the main reason for the conditions which Marx described. If all the wealth of the owners of the mines and mills had been redistributed to the workers, it would have relieved their condition but slightly, and for but a little time.

So, the class struggle, as the remedy for these conditions, was wrong. What was wrong? What was the real trouble?

It was the low productivity of the workers. And, as workers can be paid only out of production—whether in England a century ago or in Russia today—wages must be low and hours of work long when production is low.

Production was low because tools and equipment were poor, because human backs had to do what slaves of iron and steel do today here in America.

In 1940, before war increased our production, it was estimated that electric power alone in this country was

performing work equal to the labor of half a billion men—500,000,000 men —working eight hours a day. This is equal to nearly 10 times the total human labor force employed in America and 50 times the number employed in manufacturing and that leaves out steam power and gasoline power and windmill power, with their tremendous contribution for increasing the productivity of workers and so lifting burdens from human backs.

While Marx preached the gospel of hate and the class struggle, America gave the green light to the Edisons, the Whitneys, the Burbanks, and the Fords.

James Watt, the inventor of the steam engine, which revolutionized the modern world, and those who followed him in the competitive struggle to make a better engine and sell it for less, did more to take women out of the coal mines, and off the towpaths of the canal boats, more to take children out of the factories, than all the socialists and communists and politicians of the world combined.

Yet Watt would be an unknown name today if a capitalist, a man named Matthew Boulton, had not risked $150,000 on Watt's invention.

One measure of the progress of civilization is the mechanical horsepower and tools which supplement human labor. The steam engine did more to outlaw slavery, both in England and America, then all the political humanities put together. The laboratories do more for mankind than the legislatures.

Please understand me. Welfare legislation has its place. I do not disparage such legislation at all. I endorse it as part of the responsibility of modern government. I simply point out that if modern America were to go back to the same tools and horsepower that we had when Benjamin Franklin was trying to capture lightning from the sky, our production of wealth would at once go down 90 per cent, wages would go down in proportion, hours of labor would increase to the limit of human endurance, and nothing that government or humanitarians, or labor unions, or the followers of Karl Marx, could do would prevent it.

I mentioned the discovery of gold in California in connection with the *Communist Manifesto* of 1848.

With pick and shovel and the pan with which men washed gravel from gold, didn't men work long hours then for a meager return, or none? Didn't they sleep in filthy cabins, live on jerked meat, and weren't they covered with lice?

If you saw the motion picture, "The Covered Wagon," you will recall the scenes of terrible toil of men and women and children pulling the wagons across rivers, and the trackless desert, and over the Continental Divide. Families, on foot, pushed hand-carts from the Mississippi to Salt Lake.

Yet were those conditions due to greed and exploitation? No. These men were working for themselves. What was wrong? Poor tools.

Let us agree that James Watt, and the man who financed him, were not humanitarians. Let us agree they put their brains and money together in a common enterprise for the profit motive. But what of it? Was the result good or bad? Did the steam engine and modern tools take the women out of the coal mines, or did Karl Marx with his gospel of hate and the class struggle?

What did the profit motive do? It made Watt and his partner, and all who followed them, work to make better engines and offer them at a lower

price to get the market from their competitors.

Was the result good or bad? The profit motive is just as honorable and useful to mankind as the wage motive. Both can be pushed to excess. But both do infinite good.

The wage motive prompts men to become skilled and efficient so they can produce more and earn more, and because they do, all mankind benefits.

The radio, that sold 25 years ago for $300, now sells for $30, or less, and a better radio.

Has the result of the competitive struggle in the world of radio been good or bad? The result has been good—humanitarian, if you please.

It brings the news of the world, good music, and discussion of public affairs to the remotest farmhouse, to people on their sickbeds. It was not many centuries ago when starvation was a common occurrence, even where 90 per cent of the people lived on land—even in England.

Was the conquest of starvation a humanitarian thing? What conquered it? Who conquered it? Karl Marx? No.

The time in the field required to raise a bushel of wheat in America has gone down from 60 hours of human labor in 1830 to two hours or less today. What did it? The steel plow, the tractor, the harvester, better fertilizer and seed, the conquest of insects and plant diseases, and cheap transportation. American wheat now feeds millions in the Europe that is adopting the philosophy of Karl Marx.

Aluminum was so expensive in 1870 that Napoleon III of France had an aluminum table set for state dinners, more valuable then than gold. Today aluminum is found in the American kitchen.

No, Karl Marx did not have the answer. He lifted no burdens from human backs. The answer is in the private property system, kept competitive by antitrust and other laws. The answer is not in the class struggle. The answer is in the cooperation of inventor and investor, and manager and the worker with his "know how." The answer is to substitute slaves of iron and steel for the sweat and toil of human backs. The answer is constitutional liberty, which sets men free and says that what any man honestly makes is his "to have and to hold."

Wages can be paid only out of the product, and the larger the production the higher the wage. The more money that is invested in mechanical power and equipment, the more capital that is put to work, the less children and women and men have to work at killing toil.

Let's not divide mankind today in the struggle of classes. Let's unite men. In union there is strength. In harmony there is hope. Cooperation is Uncle Sam's middle name.

From an address by Samuel B. Pettengill delivered over the ABC Network from Chicago, Ill.

Social Insurance Costs Here and Abroad

THE toll of social security costs is steadily mounting. Annual contributions for social insurance in the United States recently amounted to $4,500,000,000, according to the Conference Board.* In 1929 only $169,000,000 was paid in for social insurance purposes, and in 1939 the total was about $2,000,000,000.

Abroad, more or less comprehensive social security programs cost Belgium 23.5 per cent, Czechoslovakia 22.8 per cent, the Netherlands 20.3 per cent, and Yugoslavia 28 per cent of total remuneration.

**The Social Security Almanac,* National Industrial Conference Board, New York, 1949.

The Future Goal of American Management

By DONALD K. DAVID*
Dean, Harvard Graduate School of Business Administration

THE future goal of American business leadership must be to create in each enterprise "a good society" which offers various satisfactions to the community.

The fact that business has done its economic job well has not allowed it to escape criticism. I am convinced that there is no such thing as the "economic man."

The business leader must recognize and try to define the non-economic satisfaction which a business organization should properly try to offer. His responsibility centers around the fact that he deals largely with people. It shows up most clearly, but certainly not exclusively, with respect to the people working within his organization. A fundamental requirement of this business man, then, is probably a sincere belief in the dignity of individuals and an understanding of their motivations—not merely to increase their production but to increase their opportunities to achieve happiness as well.

One hears much these days about giving employees "a sense of participation." But this is not enough. The participation must be real. Or at least the opportunity to participate must be real. It must come from the sincere conviction on the part of the leader that because of the dignity of man each member of his organization has something of value to contribute to it and should be given the opportunity to do so.

Real participation is a two-edged sword: Those who participate must also accept the responsibilities of participation, else they have no right to expect it. On the other hand, a responsible executive must learn how to accept, welcome, and benefit from criticism, for participation without criticism is but an empty name.

This characteristic of the executive need not be reserved solely for the man at the top of a business organization. It is essential at *all* levels of management. It is appropriate for *all* who are in charge of other people. A business is more than an economic unit. It is a social unit as well, and most businesses are comprised of a great number of smaller social units. Thus each business executive—each foreman and supervisor—is within certain limits guiding a small society. And he should guide it on the basis of wisdom—not force.

The head of such a social unit must himself be a constructive participant in the affairs of the community and the nation. Inasmuch as society has entrusted him with the job of producing its goods and services through management of its materials, manpower, and capital equipment, he has the responsibility of being faithful to this trust.

Clearly, a business man cannot do this by partisan pleading for his own welfare, or by defensive justification of his own actions solely on the grounds of competence. His must be a constructive and courageous participation in the affairs of society in general, similar to that which he offers to those in the business society which he guides. He must find ways of integrating his own organization's activities into a positive force for general social welfare.

*In his annual report to the president of Harvard University.

Today's Economic Danger Signals

INCOMES and purchasing power are at new postwar highs. Willingness, to spend, on the other hand, is dropping. These two facts epitomize the current business situation and highlight the major force that endangers the nation's economic stability.

In January, 1949, personal incomes after taxes were running at an annual rate of $12 billion above January, 1948—an increase of over 5 per cent. The index of the prices of consumer goods was up only 1.2 per cent, thus incomes after taxes had approximately 4 per cent more purchasing power in January, 1949, than in January, 1948. Despite the rise in money incomes, total volume of retail sales in January, 1949, was slightly less than in January, '48—$9.5 billion as against $9.7 billion a year ago. In February, 1949, incomes after taxes were still substantially above February, 1948, but retail sales were no greater than in February, 1948. The January, 1949, drop in retail sales is especially noteworthy because this is the first time in three years that retail sales in any month have been less than in the corresponding month of the previous year.*

The drop in willingness to spend extends to business enterprises as well as to individuals. This is indicated by the fact that firms are less and less willing to seek outside money in order to spend beyond their incomes. In 1947, for example, out of every dollar spent on investment by corporations, 54.4 cents was provided by internal funds, such as depreciation allowances or plowed-back earnings, and 45.6 cents came from the outside. In 1948, 66.9 cents out of every dollar of investment expenditures by corporations was provided by internal funds and only 33.1 cents by outside money.

Particularly significant is the drop in new contract awards and new housing starts. Expenditures on plant and equipment are still running above the corresponding period of last year, but new commitments to make such expenditures are considerably less than last year. Total contract awards in the first two months of 1949 were 19 per cent below the corresponding period of 1948, and private contract awards were 29.9 per cent below 1948. The joint survey of the Department of Commerce and the Securities and Exchange Commission indicates that corporations expect to spend about 14 per cent less on plant and equipment during the second half of 1949 than was spent during the second half of '48.

The drop in willingness to spend means that, for the first time since the period of conversion from wartime to peacetime production over three years ago, business is confronted with the problem of preventing a rise in unemployment.

To prevent a rise in unemployment in 1949, business will need to produce and sell about $265 billion in goods at present prices, or about $10 billion more than it produced and sold in 1948.

There are two principal reasons for this: (1) The labor force may be expected to increase by about 600,000, which would raise total gross production about 1 per cent or $2.6 billion at present prices. (2) This year should witness a rise of about 3 per cent in efficiency over 1948 as a result of (a)

*The Department of Commerce reports that retail sales in March of this year, amounting to $10,470,000,000, were $264,000,000 below the volume registered in March, 1948. According to figures released recently by the Alexander Hamilton Institute, Inc., department store sales for the week ending April 16 were 7 per cent above those of a year ago, as compared with a similar gain in the preceding week. The following week, ending April 23, however, they were again on a downtrend, registering 10 per cent below those of a year ago.—*Ed.*

the disappearance of shortages, (b) acquisition of more experienced personnel, (c) recent large-scale expenditures by industry on plant and equipment. Such an efficiency rise would mean an increase in gross national product at present prices of about $7.7 billion a year. Hence the total rise in output needed to prevent an increase in unemployment is about $10.3 billion a year.

How might an increase of approximately $10 billion in sales at present prices be accomplished? The present outlook is that there will be no net purchase of American goods and services by foreign countries beyond the goods supplied by the Government of the United States through the Marshall Plan. In 1948, for example, our net foreign investment was only $1.5 billion, and during the latter half of the year there was no net foreign investment by the United States. The consumption of goods by business is also likely to be less in 1949 than in 1948. Certainly the accumulation of inventories may be expected to cease. The increase in inventories absorbed $3.8 billion of the output of industry in 1948. Furthermore, a small drop of nearly 10 per cent, or approximately $3 billion, in expenditures on plant, equipment, and housing seems likely.

If net foreign investment disappears and gross private investment drops by $6.8 billion, an increase of approximately $18.6 billion in sales of goods to government and consumers will be necessary to prevent a rise in unemployment. Purchases of goods by the local, state, and national governments are rising. The Federal Government alone is likely to take $6 billion or $7 billion more of goods in 1949 than in 1948, and local and state governments are likely to take about $1 billion or $2 billion more. This means that consumers will need to buy about $9.6 billion to $11.6 billion more of goods in 1949 (at present prices) than in 1948. In other words, individuals who had personal incomes last year of about $213.6 billion, paid $21 billion in taxes, and spent about $177.7 billion on consumer goods, will need in 1949 to spend $187 billion to $189 billion on consumer goods at present prices in order to prevent a rise in unemployment.

Can business persuade consumers to increase their takings of goods by $9.6 billion to $11.6 billion at present prices? There are a number of important favoring circumstances: (1) Personal incomes after taxes have a higher purchasing power than a year ago. As has been pointed out, these incomes had about 4 per cent greater purchasing power in January, 1949, than in January, 1948. (2) The rate of personal spending is still low in relation to personal holdings of cash and demand deposits. In 1939, annual expenditures on consumer goods ran about six times personal holdings of cash and demand deposits; in 1948, they were only 3.3 times holdings of cash and demand deposits. (3) Consumer short-term indebtedness is low in relation to personal incomes after taxes. (4) The backlog of consumer demand for some products is still large.

How can business persuade consumers to increase their takings of goods by $9.6 billion to $11.6 billion? It is obvious that this is a problem of marketing — that is, a problem of bringing out new and more attractive goods and quoting prices which consumers find more acceptable.

Plainly price policies which were appropriate when the rate of consumer spending was rising faster than consumer incomes are not appropriate

when consumer spending is rising far less rapidly than consumer incomes.

Many managements will not like the idea of reducing prices to stimulate consumer demand. Some managements will argue that they cannot afford to reduce prices—that their margins are too small. It is true that margins are small and that in many industries costs per unit of goods sold have advanced as rapidly as selling prices during the last several years so that profits per dollar of sales have not changed. It is also true that some industries, especially those which sell at publicly regulated prices, have not been able to raise their prices during the last three years in proportion to the advance in the general price level. Some of these industries may need to increase prices to offset the rise in costs during the last three years. In addition, many concerns are not charging enough to cover the high replacement costs of their plant and equipment. Sooner or later these enterprises must either raise their prices or achieve substantial economies in operating costs.

Though further price increases in some industries are necessary, the immediate business situation calls as a general rule for improvements in quality and cuts in prices. Enterprises will be assisted in giving consumers more for their money by the increases in efficiency which have been occurring and which can be achieved. Improvements in efficiency are being facilitated by the better flow of raw materials and, as I have indicated, by the growth in the experience of supervisors and of the workforce. Furthermore, before managements decide that they cannot afford to adjust prices to the drop in the willingness to spend money, they should consider the conseqences of not reducing them.

If prices are not reduced, many people will begin to spend less than their recent incomes. This means that expenditures will drop, and as they drop, profits will also fall. I do not know which drop in profits would be greater — a drop resulting from about the same physical volume of goods sold at a smaller spread between direct costs and selling prices or a drop resulting from a smaller physical volume of goods sold at an unchanged spread between direct costs and selling prices. I suspect that for business as a whole the difference in profits between preserving volume through accepting smaller margins and sacrificing volume in order to preserve margins is not great. Certainly it is better for business in the long run to sacrifice margings in order to preserve employment than to sacrifice employment in order to preserve margins. Furthermore, if business adjusts prices to induce individuals to spend a higher proportion of their incomes on consumer goods, there is a good chance that the greater pressure for lower costs will stimulate efficiency and help enterprises preserve the margins between average direct costs and selling prices.

From an address by Sumner H. Slichter before the National Conference of Electric and Gas Utility Accountants (published in *The Commercial and Financial Chronicle,* April 14, 1949).

● WHEN I HAVE A TOUGH JOB in the plant and can't find an easy way to do it, I have a lazy man put on it. He'll find an easy way to do it in 10 days. Then we adopt that method.

—Clarence E. Bleicher (president, DeSoto Division, Chrysler Corporation) as quoted in *The Reader's Digest*

Office Management

Trends in Office Personnel Practices

TO determine current trends in office practices, the National Office Management Association recently surveyed a cross-section of representative companies throughout the country. Presented below are some of the major survey findings.*

Pay Basis. Payment on a monthly basis is slightly more popular than the weekly plan, nationally (34 per cent to 33 per cent). Hourly payment, third most popular, is only half as prevalent. Twice monthly is the basis in 13 per cent of the companies, and every two weeks in last place with only 3 per cent. From an area standpoint, the weekly pay basis is most favored in Eastern cities (56 per cent), while monthly bases are most popular in the other areas. This heavy Eastern concentration accounts for almost 65 per cent of the companies that set up pay in weekly totals.

Pay Periods. Payment twice monthly continues to hold top favor nationally (45 per cent) with the weekly pay period in second place (38 per cent). Payment every two weeks (12 per cent) is only slightly higher than reported last year while monthly payments show a slight decline to 5 per cent. Weekly pay periods are most popular in the East (58 per cent), least popular in the West (20 per cent). The twice-monthly practice is highest in the West (59 per cent).

Workweek. Popularity of the 40-hour week increased about 5 per cent over last year (to 71 per cent). The 38-39-hour bracket is favored by 13 per cent, a year's gain of over 6 per cent. Slight losses are recorded for the over 40 hour practice as well as under 38 hours. Less than 40 hour weeks are considerably more popular in the East (40 per cent).

Overtime. Sixty per cent of the companies pay overtime after 40 hours' work; about one-fourth of the companies pay after 38 or 39 hours; 39 per cent pay overtime under 40 hours.

Saturday Work. Saturday is not a workday for the full clerical force of 86 per cent of all U.S. companies reporting (9 per cent higher than last year). Of the companies working Saturdays, those in the West Central states have the highest relative percentage (25 per cent); those in the East the lowest (6 per cent).

Paid Holidays. Six paid holidays per year is the practice of 52 per cent of the reporting companies. Next popular is seven holidays (14 per cent). Twenty-six per cent pay for eight holidays or more. Only 8 per cent pay for less than six holidays, 24 per cent of the Southern companies being highest in this bracket.

Office-Factory Pay Increases. Thirty-eight per cent of the companies reporting say that salaries of office employees are increased when those of factory-production workers are upped. East Central companies are most committed to this practice (46 per cent); Western companies least (30 per cent). Last year's figure was 43 per cent, as against 28 per cent in 1947.

Unionization. Of all respondents,

**Office Salaries: Survey Summary Number 7.* National Office Management Association, 12 East Chelten Ave., Philadelphia 44, Pa., 1948. 36 pages. $5.00.

8.6 per cent say that all or part of their office clerical staff is represented by a union or unions. This figure compares with 8.5 per cent in 1948 and 7.1 per cent in 1947. Unionization is reported highest in Western companies (13 per cent) and lowest in West Central and Southern companies (6 per cent). Affiliation with AFL is 37 per cent; independent unions, 36 per cent; CIO, 27 per cent. AFL has 63 per cent of the Western companies for its area of greatest strength. CIO is highest in East Central (41 per cent). Independent unions are strongest in the South (55 per cent).

Job Evaluation Plans. Thirty-two of reporting companies have job evaluation plans (36 per cent last year). The range by areas is from 24 per cent (Western) to 36 per cent (Eastern).

Merit Rating. Thirty-three per cent of the companies have a merit rating system (42 per cent last year). East Central is high with 37 per cent, West low with 29 per cent.

Wage Progression. A wage progression plan based on seniority is in effect in 14 per cent of the companies; high in the West with 17 per cent, low in the East with 13 per cent.

Incentive Plan. Wage incentive plans are operative in 4 per cent of the companies, well distributed nationally with a range of 3-5 per cent.

Suggestion Plan. Some form of suggestion system is in operation in 23 per cent of the companies; highest in the East with 26 per cent, lowest in East Central and Southern (21 per cent).

Earnings Participation. Group participation in company earnings is in effect in 8 per cent of the companies with the range of 7-10 per cent topped by West Central (10 per cent).

Bonus. Bonus payments to individuals is favored by 27 per cent of the companies; ranging from 33 per cent in West Central down to 24 per cent in Eastern.

Pension. Clerical pension plans are in operation in 40 per cent of the companies. Eastern and Southern companies report highest frequency (44 per cent and 43 per cent); Western and West Central lowest (37 per cent).

Life Insurance. Free life insurance is given clerical employees by 27 per cent of the companies; most frequently in West Central states (35 per cent) and least frequently in East Central (21 per cent). Contributory life insurance is favored by 58 per cent of the companies; ranging from 64 per cent in East Central to 54 per cent in West Central.

Medical Insurance. Nineteen per cent of the companies have some form of hospitalization insurance in effect; led by West Central and Southern companies (22 per cent) and least favored by Western companies (12 per cent). Fifteen per cent have medical-surgical types of insurance; topped by 19 per cent in West Central and least favored in 10 per cent Western.

Lunches. Only 1 per cent of the companies give free lunches to employees. East and West Central companies show 2 per cent.

Who Pays for the Nylons?

THE research committee of the Office Management Association of Chicago, recently surveyed 34 companies with 42,647 employees to determine: (1) the degree of responsibility the company feels to pay for damaged or lost clothing and other personal belongings of employees; (2) how such claims are investigated; (3) the basis upon which payment is made; (4) employee reaction to the policy, or lack of policy, followed.

Twelve companies (35 per cent), employing 29,271, have a policy to pay for loss or damage. Eleven of these firms' policies apply to office and factory alike, while one applies only to office employees. Here's a breakdown of items covered:

	No of Companies Paying Damage	*No. of Companies Paying Loss*
Dress or suit	10	6
Stockings	9	4
Shoes	5	7
Hats	4	8
Coats	5	9
Jewelry	3	4
Scarfs	3	6
Gloves	3	7
Money	—	1

Of the companies reporting, 22 or 65 per cent, with 13,376 (32 per cent) employees do not pay. The reasons for not paying are: 10 companies feel no responsibility for employees' personal property; five feel it too difficult to ascertain cause of loss or damage; and seven think it too difficult to determine what items to cover. Of the above non-paying firms, the following provide these safeguards for personal property: 16 provide lockers; 11 provide locked compartments in desks; 11 have periodic inspections of equipment to remove soiling and tearing hazards; two have cloakroom attendants; two provide smaller cloakrooms conveniently located to avoid crowding conducive to petty thievery; one has insurance coverage.

As to the extent to which the 34 companies investigate claims: 23 handle claim investigations through their own organization; three use outside agencies; six accept evidence furnished by employee as final. Of the 12 companies paying claims, the personnel departments have the settlement authority in five firms; three have protective departments and four put authority in the department head.

On claims for damaged property, six pay the repair bill plus an allowance for depreciated value or appearance caused by the damage. Four pay repair bills only and one firm repays the original cost for stocking damage. On the claims for property loss, six pay on basis of employee's statement of cost, four pay replacement cost, two pay original cost.

The most important point of the survey is how the employees react to the different company policies. Of the 12 companies paying claims, nine believe that employee morale has been improved, while three question any benefit. Among the 22 companies that do not recognize any claims, only one knows that the non-paying policy has adversely affected morale and one other reports evidence of employee resentment. Three report their employees do not expect payment and another three are not sure if either policy has any effect. Eleven of the 12 paying companies plan to continue to do so and half of the 22 non-paying firms plan to continue their own present policy.

—M. R. Loehrke in *The Office* 5/49

Office Salaries in New York City

WOMEN general stenographers earned an average of $45.50 a week in New York City during February, 1949, as compared with $43.50 in February of last year. This occupation was one of 43 included in the re-study of office clerical workers' salaries recently completed by the Bureau of Labor Statistics, U. S. Department of Labor. The survey covered seven broad industry divisions employing an estimated 453,000 clerical workers and showed that these workers' salaries have increased generally from $2 to $3 per week over the past year in New York City.

Current salaries for other jobs in which large numbers of women were employed were $34.00 a week for routine file clerks, $39.50 for clerk-typists, and $44.50 for accounting clerks. Three-fourths of the 24 clerical occupations in which women were studied averaged between $42.00 and $49.00 in February, 1949.

The highest pay for men among the jobs covered in the re-survey was the $69.50 average for hand bookkeepers. Weekly salaries of $50.00 or more were found in over half of the jobs employing men. Only office boys, routine file clerks, and male typists engaged in relatively routine copy work averaged less than $40.00 a week this year. Accounting clerks averaged $54.50 a week, and general clerks performing a variety of operations requiring the use of independent judgment averaged $57.00.

Are You Positive?

By LOUIS BALDWIN

IN business correspondence, a positive approach is almost always better than a negative. To professional correspondents this is an axiom.

But what is the difference between a positive and a negative approach? What are the mechanics involved, what means can we use to achieve a "positive tone" in a business letter? Ultimately, the question is one of alternatives.

To almost everything we say in a business letter, there is at least one alternative. Our job is to emphasize the alternative most pleasant (or least unpleasant) to our reader, to imply the negative unmistakably by stating the positive explicitly. If, for instance, our reader has asked us to do something today that we can't do until tomorrow, we have an alternative—we need not say that "we cannot do it today" when we can say that "we will do it tomorrow." It's as simple as that: The correspondent who habitually looks for alternatives to stress will automatically write letters that are positive in approach and in "tone." The accompanying table of examples shows him at work.

For Example . . .

Negative:	We cannot quote you a price until we have seen the specifications.
Positive:	We shall be glad to quote you a price just as soon as we have seen the specifications.
Negative:	We cannot ship these goods before August 8.
Positive:	We will ship the goods on or shortly after August 8.
Negative:	Our supply is exhausted, and the line has been discontinued. We are therefore unable to fill your order.
Positive:	Since our supply is exhausted and the line discontinued, may we fill your order with Princel at the same price?
Negative:	We were very sorry to learn that half the items you ordered arrived too late for your sale.
Positive:	We regret that only half the items you ordered arrived in time for your sale.
Negative:	We cannot understand the last paragraph of your inquiry.
Positive:	Everything in your inquiry is quite clear except the last paragraph.
Negative:	Since we do not keep such records for more than two years, we cannot give you this information.
Positive:	Unfortunately, we keep such records for only two years; we believe, however, that the Acme Information Service (Chicago 45, Ill.) could help you.
Negative:	The repairs you suggest should not be too difficult to make.
Positive:	The repairs you suggest should be fairly easy to make.
Negative:	This new carburetor reduces fuel waste.
Positive:	This new carburetor will give you three more miles to every gallon of gas.
Negative:	If you're interested in this insurance, sign the enclosed reply card and drop it in the mail.
Positive:	To learn more about this plan for real security, just sign the enclosed card and drop it in the mail.

Experience with Accountants' Selection Program

IN the fall of 1948 more than 13,500 tests were administered to accounting students in 63 colleges in conjunction with the program of the American Institute of Accountants committee on selection of personnel.* The so-called orientation test and the lower-level achievement test were those most widely used (these being helpful for guidance purposes). First-year students predominated, though nearly 2,000 upper classmen were included.

The most striking observation in analysis of the results is that in one grouping the median score of the highest college is above the 75th percentile, while the median for the lowest college is below the 25th percentile. This shows the wide variation among the colleges in the degree of selection of students whose scores are outstanding.

This spring many seniors will take the higher-level achievement test, which is of particular interest to employers. The resulting scores may be expected to indicate characteristics similar to those in the fall tests.

These tests assume particular significance for both students and employers in view of the decline in numbers of job opportunities which is now becoming evident for the first time since the war. While college grades are not a wholly reliable indicator of ability, in view of the variation of standards in different institutions, the scorecards resulting from the Institute's personnel tests are based on a uniform, objective, national scale. By this means, an outstanding student from a college which is not well known can demonstrate his ability in comparison with those from the famous universities.

A number of firms have also used the tests as a check on their own evaluation of present office staff. The scores afford some means of comparison between job incumbents and applicants for positions.

—*The Journal of Accountancy* 4/49

* See "$100,000 Personnel Selection Program Activated by Accountants," PERSONNEL, January, 1949, pp. 241-2.

Company Practices Regarding Utility Groups

OF 143 firms reporting in a recent NOMA survey to determine company practices regarding the use of utility groups, 139 have no separate department for furnishing help to any other department in time of need. But 44 companies have a group of utility people set up within departments or groups of departments. Such employees are paid according to the job they fill most of the time by 30 companies; according to the highest-rated job they can do, by three firms; according to the number of jobs they can do, by four companies; an arbitrary amount, in five companies.

Such a group is believed by 40 firms to be able to handle emergencies satisfactorily. Costly bottlenecks due to uneven volume are prevented, in the opinion of 30 firms. In 28 companies, heavy absenteeism in a department is taken care of. Vacation problems are solved for 35 firms.

Of the 48 companies having no such group, 34 said their staff is inadequate to provide this help; six have no training facilities; 38 do not have a changing volume. Other provisions for handling emergency problems: training pool for new employees (6); specific training program for teaching additional routines (19); hiring of temporary help during rush seasons (59); farming work to outside firms (20).

—*NOMA Forum* 2/49

● IN THE UNITED STATES, most employed men between 18 and 64 years of age have had the advantage of at least seven years' schooling. In October, 1948, some 70 per cent had completed between seven and 12 years of school work. Another 14 per cent had some college training. Employed women in the same age brackets had completed an average (median) of 11.7 years of formal schooling—about 1.5 years more than employed men in this age range.

—*Bureau of the Census*

Personnel

Personnel Is People

MANAGEMENT treatment of employees in countless instances in the past must have been based on a concept of personnel as something besides people. Specifically what, is not clear. I am reminded of the story, which is said to have factual basis, of the hard-boiled head of a large department store. This tough old-timer passed through the packing room one day and saw a boy lounging against a wood box—just whistling. The big boss asked him how much he got a week. "Five dollars," the boy replied. "Then here's a week's pay," the boss exclaimed. "Take it and get out!" When the boy was gone, the boss turned to the department head and demanded to know when the boy had been hired. "We didn't hire him," was the timid reply. "He was just here to pick up a package!" This example shows us a case in which personnel was not regarded as people. It indicates a type of employer-employee relationship that is on the way out.

Today we accept the fact that those who work for us are part of the business—a very vital part. If personnel is the most difficult factor in industry to regulate and to use effectively, it also returns the greatest dividends when the job of human relations is properly done.

Human relations problems are clearly the most important issues, and certainly the most vexing, confronting the world today. We all know the last hundred years has seen more scientific and material progress than the past millenium—but ethical and spiritual progress have been sadly lacking. The two most destructive wars in history have occurred in the twentieth century—not yet half gone—and we are uncertain of our ability to avert a third, more devastating conflict. As General Omar Bradley said in a recent address in Boston: "The world has achieved brilliance without wisdom, power without conscience. Ours is a world of nuclear giants and ethical infants. We know more about war than we know about peace; more about killing than we know about living."

Fundamental to the establishment of sound human relations is the recognition of the true nature of man. We must think of man not as a being composed of one part that carries on physical activity and another that thinks, but as a being who both *thinks and acts*. And we must plan our program of human relations accordingly.

The next prerequisite to better employee-management relations is the awareness by management that every individual on the payroll has certain personal aspirations: (1) to get ahead; (2) to have security for himself and his family; (3) to be given recognition—both as an individual and of the part he plays in the whole organization.

Let us consider first the desire to get ahead. The most obvious form this takes is the desire for good wages or for a reasonable salary. In some cases, too, there is a desire for advancement, but this is by no means universal. It is vital that we give opportunity to those who want opportunity, and they will make the most of it. This is the greatest weapon industry has today for the "isms" attacking America. Op-

portunity must also mean improvement for the group. We must impress those who do not want to be leaders, who are content to continue in the ranks, that they, too, have a future in business; that business through successful operation will improve their lot. In other words, *their opportunity is in direct ratio to the success of the business that employs them.* And what helps business will in turn help them.

What about security? Employees must be shown that their security is related to that of the company. But management must remember that where business fails to provide reasonable security, employees will look to government for that security. And government-provided security invites bureaucracy, strangling taxation, loss of liberties. Business *can* do more in the matter of providing security than it has been doing in the past. This problem in human relations should challenge the best that is in us.

Assuming your employee has sufficient income and a reasonable degree of security—is he content? No, he wants more than these. He craves satisfaction in his work. He wants the respect of his fellows, and to feel that he *belongs*—that he is a member of the team. These wants are much less definite than wages, hours of work, pensions, and insurance. But they are equally important. To ignore them is to invite discontent and inefficiency. This underlying sense of frustration and restlessness is basic, and granting demands for shorter hours and higher wages will not eliminate it.

Consider the desire for recognition, for participation—how important it is in the science of human engineering! Yet how often, instead of saying, "Men, we are all on the team, and we will win together," management seems to say, "Men, I am the team!" Yes, it only *seems* to say it. It may *think* otherwise. But good thoughts, unlike good deeds, do not speak for themselves, and the employee gets the wrong impression.

Many of our personnel problems today have their roots in the very nature of our mass production system. Under the old handicraft system, a man made an article from beginning to end. He could look at the finished product—the graceful silver teapot, the well-turned boot, the sturdy wagon—and know that his own strength and skill had made it what it was. He took pride in his work. He derived satisfaction from doing a good job.

Today much industrial work is monotonous, uninteresting. Pieceworkers often do not know the function of the part they make. Is it any wonder they become bored? The worker in a monotonous, repetitive operation must have some compensation for pride in workmanship. He wants recognition of some sort if he is to get any real satisfaction out of his job. It is up to management to devise ways of giving it to him.

How can employees participate in a business? Management has to communicate this sense of participation. It may have to vault the barricade of a hostile union. But with truth on its side, and good foremen interpreting the facts, the management story can be carried over.

It is important that we give employees the complete company financial picture in terms they can understand. Earnings should be included—but not only earnings. Let industry show the totals of its payrolls, the number it employs, and the amount of earnings reinvested in the business to create more jobs and services. Let company executives list employees for what they

are, ***the most important asset of the company.***

Let's correct erroneous notions of high earnings by showing their true relation to the sales dollar and to investors' funds. But let us show how earnings are used. And let us repeat again and again how employees have profited along with the company.

Sincerity on the part of management is essential. Not much can be accomplished unless management actually feels respect for the individual and has the true American concept of the dignity of man.

Charles J. Stilwell, President of Warner & Swasey Company of Cleveland, once told of a friend who listed in two columns companies that he knew intimately. On the left, he put those concerns whose management believes the average employee is a pretty swell fellow, with the right to know what is going on. On the right, he put the companies whose executives felt their interest and responsibility ended with safety devices on the machinery, a place to work, and a pay check. Then he made another list, putting on the left the companies that were having a minimum of labor trouble, on the right those that had experienced serious and bitter strikes. The two lists were almost identical. When management trusted and respected its employees, the respect was justified. When management regarded personnel simply as a part of the equipment for production, the result was trouble.

The mental attitude of the men who make up management is of paramount importance in establishing good human relations with the group who make up what we call personnel. Giving lip service to the principles of democracy is not enough. As Emerson said, "Don't *say* things. What you *are* stands over you the while and thunders so that I cannot hear what you say to the contrary."

From an address by Harry A. Bullis before the Congress of American Industry.

Buying Psychological Services

APPLIED psychology emerged from World War I with great prestige. It now emerges from World War II with far greater prestige. So much so that many members of management are in danger of believing their perplexing problems of personnel, human relations, and employer-employee relations can be solved readily merely by calling in a psychological consultant. Moreover, there is no shortage of consultants to fill this widespread demand. Their quality varies, however. On the one hand, we have downright fakes, charlatans, and just plain ignoramuses. On the other, we find highly reputable, scientifically trained, and professionally-minded consultants. The problem is to discriminate between them.

Before industrial psychology came into its own, it was not uncommon to find sales training programs based on phrenology and physiognomy. Attractive books, bound in imitation leather, with gold lettering, were sold, in which the salesman was taught in Lesson I all about the square-headed prospect, in

Lesson II about the round-headed prospect, *ad nauseam.* And these courses sold for $50 per salesman! Then when war put the damper on selling and opened the drafts on industrial expansion, these same books were revamped and applied to the training of foremen. Lesson I told all about the square-headed employee, Lesson II about the round-headed employee, *ad nauseam.* And so-called hardheaded business men bought these courses at $50 per foreman! The fakers who originated them were finally run out of town through cooperation of the local Better Business Bureau. The buyers, of course, were not hardheaded business men at all; they were merely well-intentioned fatheads.

How can a business executive who is eagerly seeking the help of a professional consulting psychologist be sure he is getting the genuine article and not a pseudo-psychologist?

One obvious answer, of course, is that the consulting psychologist should be a member of the American Psychological Association. An inquiry addressed to the Executive Secretary, 1515 Massachusetts Avenue, N. W., Washington 5, D. C., will bring information as to the membership status of any individual. Mere membership in this professional society does not guarantee professional competence, but it does mean that the member has had training in psychology from a recognized graduate school. Professional competence in his field is guaranteed, however, if the person is not only a member of the American Psychological Association but has also been certified as a diplomate in Industrial Psychology, in Counseling and Guidance, or in Clinical Psychology by the American Board of Examiners in Professional Psychology.

Non-holders of diplomate certificates or non-members of the American Psychological Association are not thereby proved to be incompetent. At the present time, there are competent consulting psychologists who, for one reason or another, do not belong to this professional society or, if they do belong, have not applied for diplomate status. A line on such persons can be obtained by writing to the chairman of the department of psychology in any first-class college or university in the locality where the individual is practicing. Or inquiry can be made of the college or university where the person claims to have received his graduate training.

There are also other criteria that may be applied by the business executive. He should ask for and expect to receive copies of books by the psychologist he is considering employing, reprints of articles published in reputable psychological journals, or copies of reports prepared for clients. If in doubt as to the quality of these publications and reports, he may have them evaluated by competent psychologists in recognized graduate departments of psychology in nearby colleges and universities.

It is a violation of the ethics of all well-established professions for any member of those professions to make undue claims as to the results that will eventuate through his services. It must be perplexing, then, to the cautious business man to find violations of this policy on every side. For example, one of our most reputable publishing companies recently advertised a book on personnel psychology by stating, "From now on you can place the Right person in the Right job *every* time." (Italics added.) The book itself, written by a competent industrial psychologist, made no such claims.

Here's another example: The editor

of a reputable management magazine recently published a straightforward article by a competent consulting psychologist. But the editor's note appended to the article suggested revolutionary results by asking the following rhetorical questions: Would you like to reduce absenteeism by 45 per cent? Reduce labor turnover by 65 per cent? Increase production per man-hour by 20 per cent? Reduce rejects by 50 per cent? Increase sales volume by 300 per cent?

The prudent business man would also be perplexed by the fact that an increasing number of management and union relations consultants who may be highly competent within their own specialties are barging into the delicate field of industrial psychology. For example, one management engineering firm, headed by competent engineers, believed they could, with safety, embark on industrial consulting regarding psychological problems even though no one on their staff had ever had any psychological training.

The problem is complicated by the fact that work in the personnel and industrial relations field has grown "like Topsy." Professionalization is emerging slowly but surely. Business men, in a desire to keep up to date, proceed to establish employment and personnel departments without realizing the technicalities involved. These technicalities have recently been outlined in *Jobs in Industrial Relations.** This bulletin sets forth the duties and qualifications required in the performance of 18 types of positions in a fully developed personnel and industrial relations department. Among these positions are seven in which psychological training is essential or highly desirable. Business executives contemplating establishment of personnel departments or the employment of psychological consultants would do well to study this important bulletin.

By DONALD G. PATERSON, *Personnel Psychology,* Winter, 1948, p. 479:5.

*Kriedt, P. H., Bentson, M., Yoder, D., Paterson, D. G., and Heneman, H. G. *Jobs in Industrial Relations.* University of Minnesota Industrial Relations Center, Bulletin No. 3, 1947.

Dividends from Plant Health Programs

A GENERALLY accepted estimate based on the experience of several industrial physicians over many years indicates that competent medical or health service can cut the losses due to sick absenteeism and latent illness by about 50 per cent. Since these losses on a nationwide basis amount to approximately 7 per cent of total production, a conservative estimate of reduction in production losses due to illness would be about 3 per cent. In these times, with a man earning around $11 a day, this saving represents 33 cents per man-day, or about $79 per man-year. Now, within reasonable limitations, considering the total number of employees involved in any particular enterprise, it is certainly possible to make available to them a fairly complete medical and health service for considerably less than $79 per man per year.

A good industrial medicine program which includes all the elements to keep a worker healthy and efficient should not cost more than $22 per employee per year. Therefore the medical plan that can demonstrate that it is possible to cut the absence rate by two days per year would allow the company to break even. I am confident that more than two days per year can be cut from the absence rate when a competent medical organization goes to work.

—JOHN J. WITTMER, M.D., in *Industrial Medicine* 4/49

Changing Patterns in Employee Periodicals

SOME significant trends in the contents of employee magazines have been spotlighted in a recent study of 399 such publications by the Policyholders Service Bureau of the Metropolitan Life Insurance Company. Editorials, often tied in with management's efforts to tell employees more about the company, are appearing frequently, for example. Moreover, an ever-increasing number of employers are telling employees the economic facts that affect their daily lives, their jobs, their industry. There is marked increase in the use and variety of interest-building items and in material for women readers.

Something of the general postwar change in emphasis in employee publications is conveyed by the following statement of Mr. Edward Salt, editor of Youngstown Sheet and Tube Company's *Bulletin*:

> Our plans call for telling our employees more about the company, its history, where raw materials come from, where finished products go, how various departments operate, the history and operations of various units, plans for future expansion, what our employees are doing to improve their work or safety, how they are educating themselves for better jobs, what advantages the company offers to qualified persons, outside interests of our employees . . . and their families.

Various editorial devices are being adopted by employee publications—for example, the plan of writing editorially on one of the news features of the issue. Another editorial device being used is to relate some problem of an employee's personal life to a similar problem of the company. For example, an editorial in the November, 1947, *Johns-Manville News Pictorial* explains that the high cost of doing business is of as much concern to the company as the high cost of living is to the family.

Official announcements in the employee magazine may serve to introduce a new bonus plan, the company's industrial relations program, the vacation plan, a job evaluation program, to clear up misunderstandings created by a plant rumor. Indicative of the nature of these items are the following captions:

> "The CTA and You as an Employee," *Transit News,* The Chicago Transit Authority;* "Vacation Program Changed; 5,000 to Get 4 Weeks," *The Esso Refiner,* Standard Oil Company (N. J.); "Salaried Vacation Plan Is Broadened," *The Rouge News,* Ford Motor Company.

Companies that have suggestion systems are finding that an occasional reminder in the employee magazine on how the system works is helpful in correcting employee misapprehensions concerning the plan. General Mills annually runs a four-page supplement to *The Modern Millwheel,* reviewing the accomplishments of the company suggestion system. This gives facts and figures on the year's accepted suggestions, photographs of top suggesters, reasons why some didn't win. Last page is keynoted by the slogan:

> If something is:
> *Disagreeable* but can be improved
> *Costly* but can be done *cheaper*
> *Unsafe* but can be corrected
> *Causing Difficulty—*
> *Think!*
> A suggestion may correct the problem. There's always a better way.

More than a third of the publications

*** The Chicago Transit Authority recently purchased the Chicago Surface Lines and the Chicago Rapid Transit Company. To answer questions of employees of the acquired companies about working conditions under the new organization, CTA used a full page to assure employees on such points as: employment stability, seniority rights, employment and promotions, old age retirement protection, collective bargaining, plant improvements.**

reviewed tell employees about postwar expansion and modernization of plant and facilities. Also, more than a third contain articles on company products and advertising. Some products inherently have a dramatic story to tell. Caterpillar Tractor Company's *News and Views,* for example, carries dramatic, pictorial stories like "Food for a Hungry World" (October 3, 1947), which shows how Caterpillar employees, in building tractors and other equipment, contribute to America's efforts to alleviate the food shortage in foreign countries.

More than a fourth of the magazines studied are using articles describing a specific job in the company or the work of a specific department or plant. In some magazines, a series of such articles is run to give, over a period of 12 or 15 months, a rounded picture of the company. Among these are *The Mullins Press,* of Mullins Manufacturing Corporation, and *Bell Telephone News,* of Illinois Bell Telephone Company.

More than a fourth of the publications reviewed report annually or quarterly on company earnings and their distribution.

Just as customers are reminded of the value of the products they buy, employees may be reminded of the benefits of their jobs—of those "plus" values that make the company a good place in which to work. Northwestern Steel & Wire Company gives 14 such "plus" values in *Northwestern Steel Safety News* (Issue No. 2, 1947), introducing them by saying:

> You aren't human, if occasionally you do not feel a little low concerning your own particular job, your progress, and life in general. This applies to all of us and it is usually reflected in our daily working habits. However, our minds have a way of counteracting such thoughts. otherwise we would be kicking over the traces entirely too often. Consciously or unconsciously we evaluate ourselves to things related. In other words we take stock of ourselves, our jobs, and our environment. When we do this we usually find that the good things greatly outnumber the negative, and we immediately feel much better. So why not take inventory more often?
>
> When we ask ourselves why are we working here, many answers may pop into our minds, but basically we know it is because we of our own free will chose this place to work. . . .

An increasing number of periodicals include news stories about employees, together with photographs—e.g., "Mr. Avery Builds His Dream House," *Pitney-Bowes Bulletin* (December, 1947, Pitney-Bowes, Inc.). Many run hobby departments; others feature hobby stories occasionally—e.g., "Music Runs in the Family," *The Armstrong Reporter* (August, 1947, Armstrong Cork Co.), about one of the firm's inspectors who is an orchestra director.

Health items are popular with both the employee and his family and are appearing in a growing number of employee magazines. Short, commonsense articles on such subjects as the common cold, care of the feet, nutrition, weight reduction, poison ivy, and vacation precautions interest both the employee and his family. Some publications have a column written and signed by the company doctor, others present articles based on interviews with the company doctor.

More magazines are regularly using articles on basic economics. Some firms feel that to be most effective the economic article should be tied in closely with the company's own business. In a series entitled "Why Americans Live Best," *Socony-Vacuum News* (Socony-Vacuum Oil Co.) devoted three articles to the story of American business and the fourth to the story of company operations. The first article told how the American system devel-

oped, the second discussed the advantages and disadvantages of a free economic system as contrasted with a controlled one, the third discussed national income, the fourth made clear some basic economic facts about Socony-Vacuum. In this, charts and explanatory data prepared by the company economist showed (1) how the company spends its income, (2) how average wage per employee, cost of living, company earnings and dividends compare over the period 1943-46, and other data.

Other companies advocate use of outside material, believing an outside name will lend prestige to the opinions expressed—e.g., "More For Your Money," Dr. George S. Benson, President, Harding College, in *The Carbuilder* (September, 1947, Pullman-Standard Car Manufacturing Co.).

A marked increase in the number of employee magazines carrying information about their industries has taken place in the past few years, and this increase has been accelerated in such industries as oil and railroads, where public opinion surveys have revealed not only lack of information but much misinformation about the industry in the minds of the general public.

From *Contents of 399 Employee Magazines.* Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 72 pages. (Issued to Metropolitan group policyholders; limited supply available to fill requests of other executives.)

Note: This study also features a section on "Checking Reader Interest," covering: Informal Checks; The Questionnaire; The Survey; Significance of Checks.—*Ed.*

Management Speaks Its Mind

EMPLOYERS are beginning to "talk turkey" to employees. Not in the clichés of "free enterprise," but in blunt bread-and-butter terms.

Example: The Caterpillar Tractor Company recently pulled a real "shocker" in its employee house organ, *News and Views*. The front page sported a dramatic picture of the company's competitor products. Inside, six pages with pictures were devoted to the strides being made by the competition. Said the company, by way of introducing this frank theme:

> Our competitors are capitalizing on our failure to produce. We are losing customers who have tired of waiting for deliveries. . . . Thus far, Caterpillar's best sales point, in addition to quality, dependability, and economy, has been price. In most cases, prices are well below those of other manufacturers. But rising production costs could soon wipe out this advantage. . . . Caterpillar is still maintaining its position of high quality and reasonable price. Its vulnerable point is production. Caterpillar must produce or fall by the wayside.

The message hit home. Production has since improved, and a lot of devil-may-care attitudes, formerly expressed in the forms of absenteeism, lateness, and just plain laziness, went out the window.

The Caterpillar spanking is by no means an isolated instance of current top brass frankness. Another company which took a similar tack is the Lionel Corporation, makers of toy electric trains. In cooperation with the union, the firm had installed a new incentive rate. Some of the employees, balking at the standards set, began to slow down. In one instance, six workers lost $77 in pay as a result of their slow-

downs. In other words, they were willing to decrease their own take-home pay to "teach management a lesson." The easy way out for the company would have been to discipline the slow-downers by layoffs or discharges.

Lionel's solution was to map out an educational program with real punch. For several weeks, it ran a series of cartoons called "Talking It Over With the Wife." These were mailed to the homes of all employees, with the knowledge that the distaff side would read them. The story line was simple. It implied that if Mr. Average Husband was coming home with $10 less in his pay envelope, the chances were that he was "fighting the rate"—a rate which the company, the union, and even an arbitrator had declared to be a fair one. The company did not underestimate the power of a woman. In a few weeks the laggards were back in stride, and production has hummed ever since.

Recently the Scovill Manufacturing Company, Waterbury, Conn., took the "bull by the horns" approach to the problem of a take-it-easy penchant among employees. In a message to its people the company said:

> During recent weeks, a long-established local plant is reported to have laid off more than 2,000 persons. It has been stated that excessive costs caused by too high wages and fringe benefits forced too high prices. The items manufactured could not be sold in quantity at the prices.
>
> Scovill's management wishes to pay fair wages, provide reasonable hours of work with suitable working conditions. At the same time, costs must be reduced through efficient operation and increased productivity. . . .
>
> A practice is growing to pay for holidays which fall on Saturday. Such payment produces no goods for sale but must be added to the cost of all goods produced. The total cost of all these nonproductive payments amounts to more than 16 cents an hour for every hour worked during the year. We must decide whether we want work or unemployment compensation.

How do employees react to such straight-from-the-shoulder talk? What happened to one company gives an answer: The Apex Electrical Manufacturing Company issues a monthly letter to employees which is the epitome of candor. When layoffs became necessary, the company told workers the why and wherefore of the cutdown.

A few days later a local newspaper criticized the company for taking workers into such confidence. "Creates panic and scares people," was the paper's plaint. "Management should not publicize the bad—only the good." Apex took the criticism to its employees: "Do you want us to tell you the truth—even if it hurts?" The answer: an overwhelming "yes."

This spontaneous campaign on the part of management to talk frankly has its counterpart among organized labor. A fortnight ago, the United Steelworkers' Union told its membership:

> Many members of organized labor unions seem to be imbued with the idea that their union card is a permit to steal, a permit to lay down on the job, a right to short-change their employers by not giving them an honest day's work for an honest day's pay. And it certainly is racketeering when a member of a union, because of economic strength made available through its membership, designedly slows down and lends himself to unnecessary strikes which inevitably shut down production.
>
> If common decency doesn't tell them, then common sense should remind them that without high production they cannot maintain high wage levels and decent working conditions. . . . Unless an employer is in a position to operate his business in a lucrative manner, he is automatically placed in a position of being powerless to pay high wages.

No management man could have said it better.

BY LAWRENCE STESSIN. *Forbes*, February 15, 1949, p. 18:1.

After Commencement

THE Class of '49 is going to find it tougher to trade sheepskins for jobs than any class since the war. Placement people have far fewer openings for 1949's record roll of college graduates than they had a year ago. The army of big-company hiring experts who invade the hallowed halls each spring haven't signed up as many young people. Even graduating engineers, who just about wrote their own tickets last year, will find 1949 pickings slimmer.

The number of corporations recruiting seniors for their training programs has dropped about one-third from last year, according to Lawrence Zimmer, New York University placement director.

University of California students are "getting the jitters," reports the director of that institution's occupation bureau, Miss Vera Christie, who concurs in the general belief that fewer firms will have jobs to offer the graduates.

Boston University's placement chief, Norman Abbott, recalls, "Last year company representatives said they'd talk to anyone we had to offer. Now they want to see only the top tenth of the class."

The picture isn't all gloom, however. Starting salaries this year are as high as, or perhaps a little higher than, last year, most college job-hunting bureaus report. They predict nearly all '49 graduates will eventually find work, though they'll have to dig harder and longer and may not get their choice of jobs. In Pittsburgh, Carnegie Institute of Technology calculates it will have 60 per cent of its '49 graduates placed by June, almost all in jobs by January, 1950.

Bright note: If a student is hunting a sales job, especially in manufacturing, he's on the right track. Says one placement chief: "Everybody wants salesmen—especially the insurance companies! In demand, too, are accountants, atomic energy workers and, in most places, engineers. Hardest to place, it appears, are lawyers."

Just as many firms are combing the Massachusetts Institute of Technology crop of graduates this year, but they don't have as many jobs to offer. "The big companies stocked up last year," says Professor C. E. Tucker, head of M.I.T.'s placement service. "A lot of small companies are filling the gap to a certain extent, but they don't need as many men."

Retailers are trimming their take of campus hopefuls this year, too. The world's biggest department store, R. H. Macy in New York, is hiring only half as many graduates for its executive training squad as last year. Aldens, one of Chicago's four big mail-order houses, estimates it will sign on 15 to 20 diploma-earners this year, as contrasted with 50 to 60 in the past few Junes.

A number of schools assert more employers than ever are combing campuses for manpower this year. For example, a spokesman for Carnegie Tech says before the war about 300 companies hired students from the nation's colleges. Today, he estimates, over 4,000 firms draw from that source.

In the early postwar period, college grads were able to look over several jobs before making their pick, but this year, agree placement men, the shoe is on the other foot. Companies are doing the buying, and they're not satisfied with a degree alone. Employers are taking a closer look at scholastic records, outside activities, and personalities of prospects, remarks a spokesman for the College of Commerce at Ohio State University.

—*The Wall Street Journal* 4/29/49

Doubling Incentives for Good Suggestions

AN ingenious prize system that gives added incentive for new ideas from employees who have already won one or more awards has been added to the suggestion system at Bausch & Lomb Optical Company, Rochester, N. Y. In a year-long "Sweepstakes," the company will give cash prizes of $25 to $100 to the most prolific suggestors, in addition to whatever individual rewards they win for each accepted idea. Point system gives an employee one point for an approved suggestion that brings an indirect saving, two points for one that saves less than $50 a year, five points for one that saves more than $50 a year. The plan adds incentive for the employees who already have proved their idea fertility.

—*Modern Industry* 2/15/49

Production Management

Making Employees "Quality-Minded"

COMPETITION is coming back into its own again. And one significant by-product of this renewed battle for the consumer dollar is management's revived interest in improving the quality of products.

At first blush it would appear that product improvement is strictly within the engineer's ken. It used to be. Now the *mechanic* approach is being supplemented by the *humanic* touch—for management is becoming increasingly aware of the simple fact that all the slick machinery won't do a really effective job unless employees themselves are "quality-minded."

In fact, so convinced is top brass of the truth of this that the educational aspects of practically all the quality control programs now in operation are under the direction of the labor relations or industrial relations departments. Some firms go a step further and have assigned to the public relations and publicity chiefs the job of creating a "better-quality" attitude among workers.

What are the techniques being used to achieve better quality through human relations? Here's the lowdown sifted from 32 plants surveyed by *Employee Relations Bulletin*:

Get a good slogan.

One effective way of starting the ball rolling is to develop a good, pithy slogan which employees will remember and repeat.

U. S. Rubber, for example, has "Quality Is a Good Habit." Bigelow-Sanford Carpet Company, which is now in the midst of a most extensive quality control campaign, likes to stress the economic significance of quality with slogans like: "Quantity Plus Quality Means Jobs." "Quality Makes Sales, Sales Make Jobs."

Slogans, oddly enough, are easy as pie to obtain. How? Run a contest among employees, offering cash and merchandise prizes. Companies that used this method found that at least 20 per cent of the employees participated. Here are some tips:

1. Provide special slogan blanks.
2. Have employees submit slogans in suggestion boxes if these are available. If not, have them leave filled-out blanks with foremen. Or better still, set up special boxes near time clocks, in lunchrooms.
3. Run stories on contest in house organ. Or use the bulletin board to spur slogan competition. Announce contest in local newspaper.
4. Permit workers' families to submit slogans. This will encourage employees to "talk quality" at home.
5. Winners should be announced via all publicity media—bulletin boards, house organs, etc.
6. Presentation of awards should be made by the *highest executive in the company*. This is most important.
7. Contest committee should be made up of one management man, one supervisor, one employee. If you're highly unionized it might be wise to appoint a union officer to the slogan committee.

Dramatize quality.

Nearly all quality control campaigns go in for plenty of visualization. Bigelow, for instance, has a realistic "quality show" in each department. Examples of defective work done in the particular department are mounted next to good quality output. The defects and how they can be corrected are highlighted through life-sized cutouts of a character called "Black Sheep" who personifies carelessness, sloppy work, etc.

Another gimmick is to keep employees posted on complaints from purchasers. Westinghouse, when it receives letters of complaint about poor products from dealers, buyers, or consumers, posts the "beefs" right on the bulletin board. Moral here is: "How long can we stay in business if we get complaints like these?"

A few months ago an employer went even further to bring home the need for better quality. The company manufactures ball bearings. One day a train was derailed and the cause was found to be defective bearings. The company had the faulty parts displayed together with pictures of the wreck.

Get foremen behind the quality drive.

This is most important. Too many companies assume that supervisors are quality-conscious. Not so. The war and postwar years with their marginal manpower and materials shortages have downgraded quality standards.

At Bigelow, foremen stimulation was started with a bang-up contest which ran for four months. Supervisors were encouraged to write a 200-word essay on how they improved quality in their departments. First prize was a television set. There were three prizes in all. The essays brought to light over 50 new ideas on methods for improving their product.

Encourage employees to offer quality ideas.

Here, too, Bigelow reaped a harvest. Instead of paying "regular" rates for suggestion awards, it set up a $500 kitty for ideas on quality improvement submitted through the suggestion boxes. Winners receive special craftsmanship certificates suitable for framing.

Imbue new employees with quality-mindedness.

Here's a technique which has proved effective: On a plant tour, a guide impresses new employees with the theme that *every* worker contributes to the final product. Hammered home is the story that a defect in any part of the operation shows up in the final product, threatens every employee's security.

Keep quality control alive throughout the year.

Don't make your campaign a one-shot operation. There are many ways to stimulate perpetual interest. One company presents service pins to workers who maintain good quality. Another runs periodic contests entitled "What's Wrong with This Picture?", in which photos are shown picturing sloppy work practices. Employees who point out the most errors receive cash prizes. Slogans, too, can be put to good use the year round. They can appear on company stationery, over time clocks, in advertisements, in handbooks, on memo pads. And if you're in a money-spending mood, have a motion picture made—like Johns-Manville did—for repeat showings to regular and new groups of workers.

Employee Relations Bulletin (National Foremen's Institute, Inc.), February 28, 1949, p. 3:4.

How the Loss and Damage Battle Will Be Won

THE year 1948 witnessed an increase of about 11 per cent in claim payments reported by United States and Canadian railroads. At the same time, it gave impetus to many trends which seem to point reliably to the conclusion that the combined effort of shippers and railroads is gradually, but surely, winning the battle against loss and damage. There are, in fact, enough favorable factors in the current situation to make it reasonable to anticipate some decrease in 1949 in the charge to operating expense for freight loss and damage.

To appreciate this apparent paradox, a clear understanding is necessary of current trends and of what caused claim payments to rise from their 1947 figure of $122,215,948 to $135,400,000 in 1948.*

It is important to note that the greatest contributory factor to the high cost of loss and damage in 1948 was the substantial rise in value of everything the railroads had to pay for in claims. This effect of inflation on claim payments is, of course, beyond the control of either shippers or carriers, but it should in no degree lessen the resolute effort of all concerned to prevent claim losses wherever possible. Nevertheless, it is a factor that must be appraised if we are to get an adequate understanding of the current situation.

That tangible progress has been made in defeating the enemy, loss and damage, seems evident from the following facts:

1. Close to a million fewer claims were presented by claimants in 1948 than in 1947, a drop of 16.7 per cent.

2. At the end of 1948, the number of claims pending with the railroads was 499,466, as against 727,025 at the close of 1947. That was a reduction of 31.3 per cent, or 227,559, in the number of claims on hand, unsettled. This means the backlog of unpaid claims, accumulated largely as a result of war conditions, has been just about cleaned up. Incidentally, most of those claims were on business moving prior to 1948.

3. Currently, there is a sizable reduction in the number of over, short, and damage reports.

4. Commodity prices are declining, which means a lower average claim on 1949 traffic.

5. The condition of the average freight car is improving. Old cars in large numbers have been completely rebuilt or replaced by modern new cars, which hold promise of reducing or eliminating present damage hazards.

6. Shipping containers of all types, now in abundant supply, afford greater protection to fragile freight. As an illustration, the latest checks made by the Classification Committees, based on the Mullen or bursting test, show a 66 per cent increase in the protective quality of the fibre box over the 1945-46 period, when this "policing" was begun. And those records show that, recently, the average fibre box certified to test 200 lbs. actually tested 223 lbs.

7. The increasing value of the year-around Perfect Shipping Campaign—the numerous Advisory Board meetings devoted to claim prevention—is bound to be reflected in improved marking, packaging and loading, and resulting good-order deliveries.

8. The indifferent attitude of workmen and many supervisors, in factory, warehouse, and transportation, is changing for the better—as a result of more efficient training, and improved management-employee relations — and the men are taking greater interest in doing the job right.

9. Increased over-all efficiency of the railroads—particularly in freight stations and terminals—and the greatly increased substitution of mechanical equipment for manpower, which lowers not only the cost of handling carload shipments, but also the risk of damage, are contributing to a more satisfactory claim experience.

10. Finally, there has been a keen awakening of industry to the possibilities of joint shipper-railroad action, on an industry-wide basis, on the proper packaging of freight.

11. On the unfavorable side — some

* Figures furnished by the Freight Claim Division, A.A.R.

$23,354,000 in paid claims was carried over from 1948. This amount was in the "suspense" accounts of the carriers awaiting completion of interline investigation to permit transfer to the final I.C.C. Account 418—operating expense, freight loss and damage. During the year 1948, the suspense account was reduced by $5,368,000, largely covering 1947 or prior business. The 1949 claim total will be distorted to the extent that claims are cleared from the suspense to the final account. This method of accounting is required by the policy of the railroads to pay, immediately upon receipt, claims for which they are clearly liable, even though the records are not then in hand for distributing the payment among the interested roads.

More and more shippers are seeking packaging advice from the commercial box-testing laboratories. This is an encouraging sign. It has been stated that not more than 10 per cent of articles shipped are properly tested before shipment to determine whether they are packed to resist damage in handling and transportation. Whether or not this estimate is accurate, there are many sound reasons for seeking expert advice on packaging problems. Often, better packages are designed at lower cost. A saving of as little as one-tenth of a cent per item is worth while when shipping in large volume. Sometimes over-all dimensions of the package can be reduced to use warehouse and car space more economically. The skilled technician can tell you whether you are getting the best boxes to be had for the money you are paying.

Higher labor costs have accelerated the trend toward prepacking, with some unfavorable and favorable results. As one of the chief advantages of prepacking is selling from stock without opening the package for inspection of contents, unless an ample factor of safety is in the original pack, the consumer may get damaged goods. This, of course, can cause ill will and a tendency to change the source of supply. The remedy here seems to be thorough scientific study and research by wholesale distributors and retailers to get the facts upon which economical and safe packing procedures can be based at the manufacturing end.

Another encouraging sign is the wholesome attitude now shown by many shippers in pooling their individual packaging problems in an industry-wide effort to produce a single standard of packaged-product performance that should answer for all firms marketing the same general product. There are two striking illustrations of this, the package standards program recently agreed to between the manufacturers of glassware and the Classification Committees, and the very important "Safe Transit" program sponsored by the Porcelain Enamel Institute.

First let's see what the glassware people did. Claims had reached $2.5 million for the year 1947. To ascertain which of the packages were giving reasonable protection and which were not, it was plain that a thorough study of all was in order. If the railroads had undertaken this unaided, it would have been an almost endless task. Instead, the matter was placed before the American Glassware Manufacturers Association by the Classification Committees, and as a result of their conference a plan for extensive laboratory analyzing of all the principal packaged types of glass articles by the several groups of manufacturers belonging to the association was drafted.

Machine-made glasses, the more expensive hand-made ware, lighting fixtures, lavatory glassware, etc., were drop-tested for breakage until standard tests were arrived at for each of the principal types of glass articles. This meant hundreds of individual tests in the laboratories of the manufacturers.

When the results and proposals of the manufacturers had been checked and verified by similar testing by the railroads, further conferences were held with the Classification representatives, resulting in an agreement upon *standards based on performance.*

During the course of those tests, it was found that around 25 per cent of the items were underpacked, about 25 per cent were overpacked, and 50 per cent were close to the agreed level of protection. All manufacturers participating said they had increased the protection for the underpacked articles and that the money saved on the overpacking would probably pay the cost of bringing the underpacked shipments up to proper packaging standards. One large manufacturer already has had a big reduction in complaints from customers.

In the "Safe Transit" program, sponsored by The Porcelain Enamel Institute, six of the largest industries in the country combined their experience and talents in what seems to be the most scientific plan ever devised for safeguarding shipments against the common hazards of handling in factory, warehouse, retailing and in transit. Many manufacturers have installed all of the recommended test equipment, costing about $1,800, for determining, before shipment, whether the packaged product will reach the consumer in good condition. Those who have reported their experience say that damage has been reduced substantially, and the use of the test equipment has enabled them to spot faulty design or manufacturing before the product left the plant.

The loss and damage battle will be won if the shipper, the carrier, and the consignee unite to achieve victory. The package, its marking, its handling, the importance of adequate inner packing, secure loading of carload freight — all are within the shipper's control and should be given paramount consideration if the shipper wants to give the carrier an even chance to carry his products safely. An increasing number of shippers are establishing their own laboratories for testing package efficiency and are finding that this attention to detail pays off handsomely in financial and customer relations advantage.

The consignee can aid the shipper and himself by reporting to the shipper any evidences he finds of improper packing or loading, thus giving the shipper an opportunity to investigate and correct the situation. Such reports are most helpful when accompanied by photographs of the condition reported.

The necessity for research, improvement, knowledge of what to do and how to do it, and getting the job done properly rests as much with the carrier as with the shipper. More shippers complain about rough handling of cars in switching than about any other deficiency of rail service. The railroads have the rules, methods, and practices that would assure a much better job of transportation — if they could only get their men to use them more consistently. Results in loss and damage prevention are inseparable from an understanding of the best methods; results follow, good or bad, in the precise degree that the work is done properly. Without well-planned, efficient training, the men do not know what they should do, nor how, nor why. Before we reach the stage of systematic training—in factory, warehouse, and transportation—management must become sufficiently interested to invest in training.

From an address by Irving M. Peters before the Transportation Club of Buffalo.

How Have Marshall Plan and Rearmament Program Affected Industry?

TO learn how widely the Marshall Plan has directly affected the manufacturing industries of this country and what direct effect the country's rearmament program has had on industry, *Mill & Factory* recently surveyed executives of all types and sizes of manufacturing companies.

Here's what this survey shows:

1. An overwhelming majority, 91 per cent of the respondents, say their companies have not received any orders for products as a direct result of the Marshall Plan.

2. Their companies have not received any orders for their products as a direct result of the country's rearmament program, 74 per cent of the respondents state.

3. As things look now, 85 per cent of the respondents say, they do not expect to receive any (or additional) orders as a direct result of the Marshall Plan, and 71 per cent do not anticipate any (or additional) orders as a result of the rearmament program.

4. Their backlog of orders, from all types of customers, is smaller than a year ago, according to 71 per cent of the respondents.

5. Normal delivery on their most widely used products can now be provided to customers, 91 per cent of the respondents report.

—*Mill & Factory* 4/49

Marketing Management

How to Sell More Goods in the U. S.

By GEORGE BIJUR*

The following discussion dissects the American market, analyzes from a sales standpoint the peculiarities of some of its highly individualistic regions. Though originally presented before an audience of British sales managers, it offers ideas that should be of interest and value to American marketing executives.

RETURNING to England usually has the same exhilarating effect on a Yank as an intravenous injection of champagne. During four years spent in Britain while serving in the U. S. Army Air Forces, we found your hospitality so kindly and unselfish that, no matter how severe the wartime shortages, you insisted on giving any American the seat nearest the fire, the kippered herring with the fewest bones, the cup of tea with the biggest spoonful of sugar.

Almost the first change one notices on returning to Piccadilly is the spectacular increase in supply of that classic British product, the London fog. Possibly this results from improved fog-production methods introduced under the Marshall Plan.

But let's suppose fog was the commodity you were exporting. Let's

*From an address before a special meeting of the Incorporated Sales Managers' Association of Great Britain, Caxton Hall, Westminster, London.

imagine you had a fog factory, and had decided to sell fog to America. Perhaps your first step would be to dehydrate it and bottle it in magnums or jeroboams.

Now if you shipped it to Mobile, Alabama, where an average 60 inches of rain pour down every year, you would not get many orders; they already have all the fog they need (though it may not measure up to British standards of quality). But if you whisked it to Yuma, Arizona, where only three inches of rain trickle from the sky per annum, where the sun sizzles the desert with the intensity of a celestial blow-torch and where a venerated local profession is the Indian medicine man beating drums to coax forth thunder-showers, you'd probably be greeted by a long queue of eager customers.

If you were selling raincoats you'd find Mobile, Alabama, with its 60 inches of rainfall, a highly appreciative market. You'd see slickers displayed in department store windows almost continuously. But in Yuma, Arizona, where the weather man never stops predicting "Fair and warmer," you might stage the most elaborate sales campaign—and still fail to sell a single raincoat—even at half price.

Conversely, if you shipped garden hose to Mobile, you would not ring up many sales because Nature herself is perpetually watering the gardens. But if you expressed the same hose to Arizona, you might well sell all you could produce.

The wise industrialist will stop thinking of America as one huge homogeneous market, and start appraising it as 3,072 counties, which differ enormously in their racial background and their climate, in their income and their tastes—which differ as sharply as Sweden and Italy, or Bulgaria and Belgium. He can then choose more clear-cut targets to aim at, easier bull's-eyes to hit.

Whiskey sales afford a stimulating example of county-to-county dissimilarities in thirst. Bourbon whiskey, as you know, is distilled from approximately 51 per cent Indian corn, and not more than 49 per cent rye or other grains. Rye whiskey, on the other hand, is at least 2 per cent different. Rye is distilled from a minimum of 51 per cent rye, and not more than 49 per cent Indian corn or other grains. In chemical composition, these two whiskies can resemble each other so closely that only a professional taster can tell them apart. Yet in the State of Pennsylvania, rye outsells bourbon by something like 15 to 1. If you drove a few miles further south to the Blue Grass State of Kentucky, where sportsmen assemble every spring to watch the running of the Derby, you'd find bourbon whiskey far in the lead. Many people in Kentucky observe the festive custom of making mint juleps on Sunday morning. Connoisseurs tuck them in the icebox before church so they'll be cool and frosted after church. Bourbon is the only whiskey they'd consider using. If you wanted to play a mean trick and refilled those mint juleps with rye while the families were at church, it's doubtful if many would discover the change, but when they stroll over to the liquor store to buy, they insist on bourbon.

Similar regional variations of taste occur for almost every product you can name. In the deep South, people prefer hard mattresses because the nights are extremely hot. With a hard mattress, the body rests on top so you get the refreshing benefit of any feeble little breeze that drifts your way. But in the northern states like Minnesota and Maine, soft mattresses outsell

hard. Here, where winter nights are freezing and windy, people like to snuggle down into the mattress and obtain protection from the icy draft.

Furniture of the ornate, heavily carved variety sells best in the South, and in Harlem, the section of New York City where a large colored population has settled. In contrast, the very simple furniture, the streamlined modern, sells fastest around Wisconsin, Minnesota and other states whose populations are of Scandinavian extraction.

No matter what product you're selling, chances are there exists a region, or a series of regions, in the U. S. where normal preference for it will run many times the national average. Since this ratio may measure as much as 100 to 1, it's worth patient exploring in advance to locate these advantageous areas.

If a twirl of your radio dial would give you a town-by-town tour of the *local* programs of the 1,320 U. S. broadcasting stations, you'd find many manufacturers who rely on music to attract audiences and popularize their goods turning to different tunes in different cities. In Wyoming, for instance, a favorite ballad is one of which Massachusetts and Michigan have never heard. The delicately poetic phrasing of its title is almost worthy of Shelley or Keats. It's called "The Hair on My Pony's Tail Turned Gray, Since My Darling Went Away."

Even the color of a girl's lips in the moonlight will change from state to state—for cosmetic sales show enormous variation. The place where more cosmetics are sold, per glamour-girl or per grandmother, than anywhere else in the United States is Washington, D. C. Other areas where cosmetics sales rise extremely high are New York, San Francisco, and Los Angeles; in these centers, you find variations of from $15 per women per year to $25. But in the New England States of Vermont, New Hampshire, Maine, the average spent for cosmetics sags to a mere $1.50. Whether this stems from a less frivolous upbringing in those once-Puritan States or from the greater degree of outdoor life is debatable. Again, in the Middle Western States of North Dakota and South Dakota, cosmetic sales droop to about $1.10 per woman per year, as against that $25 in Washington, D. C.

The various foreign-born populations scattered along the 3,000-mile width of the U. S. often serve as giant marketing magnets to attract products these families used in the old country. Thus, 73 per cent of total U. S. wine sales are concentrated in 10 states—the same 10 which account for 70.9 per cent of all foreign-born white inhabitants. And in each of these 10 states, wine sales bulk largest in the foreign-language settlements.

City size is another critical factor. Baking powder sells twice as fast in towns under 50,000 population as in big cities. In cities like New York or Chicago, where a high proportion of the population live in apartment houses, not nearly so much home-baking fills the ovens as in small New England towns. Consequently, the vast farm areas and the small-town New England districts stand out as extra-dividend markets for ingredients for home baking.

Just as religious beliefs in India would block the sale of ham to Hindus, local religious beliefs in the States often have an unexpected effect on sales. Certain sects of the Pennsylvania Dutch steadfastly refuse to use farm machinery. They realize they could plow more economically with

tractor-drawn harrows but consider that ungodly. A farm machinery manufacturer driving past these fertile acres where the land is still harvested by Biblical methods may be deceived into thinking he's discovered a market. But in sales possibility, it's only a mirage.

If your product represents a high ratio of selling price to shipping cost, you'll probably stalk the most customers in gilt-edged markets, sifted out according to income. But choosing these big-game preserves requires the highest skill and judgment. The usual conception of which are the high-income U. S. centers and which the low seldom tallies with the facts. The most prosperous town in the United States, as gauged by family buying income, is Cleveland Heights, Ohio. (Cleveland is the number four ranking county in the United States in new automobile sales.) Calipered by size of population, Cleveland Heights would trail way down the list, in 182nd place, but its high average income boosts it above 181 bigger cities.

Here's *Sales Management's* analysis of the top 10 cities in per family, effective buying income: Cleveland, Ohio; Sioux City, Iowa; Hartford, Conn.; Cedar Rapids, Iowa; Orange, N. J.; Davenport, Iowa; Fort Wayne, Ind.; Des Moines, Iowa; Honolulu, Hawaii; Washington, D. C.

For some products—cheap toys, baby foods, children's clothes—to name a few, *per capita income* is not nearly so authoritative an indicator of desirable markets as is *family income*. For example, in Honolulu—where families tend to be large—though per capita income does not nearly equal that of Los Angeles—where families tend to be small—estimated family income is almost 50 per cent greater; so also is per family sales expectation for all kinds of baby-bribing gadgets.

High-income regions in the U. S. don't always provide the most favorable atmosphere to nourish your sales. For luxuries, like liqueur Scotch or Rolls-Royce sports cars, the cream-off-the-top market of the rich and the traveled is certainly the most resultful. But the cream-off-the-bottom market of industrial areas—the coal miner, drill-press operator, blast furnace stoker—frequently presents greater potential for convenience items that blend novelty with economy. A Canadian manufacturer of extra-sturdy, leak-proof, paper bags has won his greatest sales among the overalled workers in Pittsburgh steel mills. They carry their lunch to work and find his paper bag lighter than a dinner-pail, nearly as staunch, and easier to tuck into pockets.

If you take the so-called average American, who exists only as a slide-rule statistic in the Census Bureau files, and split this mythical man into his real-life components, you begin to recognize minority types for whose specific needs you can readily plan. Short plump bookkeepers with red hair. Tall, thin bus-conductors with no hair. Elderly gentlemen farmers who play Bach on the piano. Youthful stock-brokers who subscribe to the Society for the Suppression of Symphony Music. For each type, you can custom-build a more appealing product than the general, aimed-to-please-everybody, median model.

No matter how competitive, how unsellable a market may appear you can usually break in by (a) picking an inarticulate minority, currently overlooked, and adopting this orphan group as your commercial foster-child; (b) discovering their unfilled needs and wants; (c) following up your research

with resourceful, genuinely creative design and aggressive, unconventional merchandising.

One doesn't normally think of Kipling as a sales expert, but he composed a jingle which makes a useful marketing guide today. It goes like this:

I keep six honest serving men,
They taught me all I knew,
Their names are What and Why and
When,
And How and Where and Who.

Anyone striving to sell more goods in the American market, will find each of these six serving men continually worth consulting.

How to Keep a Sales Meeting from Falling Into a Coma

HOW effective are *your* sales meetings? Are *your* salesmen absorbing anything? Or are they sitting quietly dreaming about the blonde they met last night or the hunting trip coming up next month—not hearing a word that's said?

Remember, simply dishing out dull facts about products, markets, user benefits, and factory capacity won't get the job done. Smart management realizes it takes high-grade showmanship to catch and hold a salesman's interest for hour after hour in smoke-filled meeting rooms.

How can your company keep its sales meetings from drifting into the anaesthesia zone? Here are several techniques which are being used to liven up and add effectiveness to meetings. They are helping sales managers with six or 600 men hold their attention and friendliness for several-hour sessions:

Visual Presentations: The flip-sheet visual holds salesmen's interest by providing something to look at. If it is made with a light Don Herold touch it will sugar-coat the less exciting part of the sales story. A novel change-of-pace can be added to any flip-sheet presentation by having the speaker chalk in three or four simple sketches. These may be traced in lightly in advance if your man has no art ability. One firm worked out an effective variation by using two flip-sheet visuals simultaneously — one handled by the sales manager, listed various product sales feature and user benefits, the other, operated by the chief engineer, tabulated technical proof of the claims made by the sales manager. Through dual visual setup, the talk is "laterally passed" back and forth from sales manager to chief engineer.

Quiz Program: Another sure-fire meeting "livener-upper" is the question-and-answer or audience participation idea. Undoubtedly the current popularity of radio quiz shows has stimulated its use. Some firms carry through in their mimicry even to the extent of awarding prizes to quiz-winning salesmen. One electrical company uses a clever combination of the flip-sheet and the quiz program. Their visual contains a blown-up, cut-away view of a new switch with the five outstanding features listed around the device and arrows indicating proper location. After the speaker has covered the five points, he flips down an over-

lay of clear cellophane on which solid blocks of color cover the wording around the switch. Salesmen in the audience are then asked to recall from memory what each feature is. The speaker may repeat this procedure two or more times until all have learned.

Playlets: Larger companies lean heavily on skits to put over their messages. To take no chance of coming up with a dud, though, they frequently draw on professional outside writing and acting talent. In some cases it's possible to enlist the aid of nearby little theater actors when professional stage personnel seems too expensive. Generally a company will have sufficient "home talent" to act out a skit, though it may lack ability to write one. The puppet show is an interesting variation which sometimes can put over a message better than live actors.

Movies: Motion pictures will frequently improve a sales meeting. Though few companies can afford to prepare movies expressly for this purpose, many can profitably employ films already available on selling, markets, or manufacturing.

Sound-Slide Films and Slides: Some organizations that do not feel movies are economically justified, use sound-slide films as an auxiliary to sales talks. These slide-films are particularly useful in showing installation pictures of large equipment, testimonials from users, and for picturing many other scenes which cannot be brought to the meeting. The old favorites, 3½"×3½" slides and Kodachrome transparencies, are successfully used for all purposes from showing pie charts to photomicrographs. An intriguing result was obtained by one liquor company that combined live actors in costume against a background of Kodachrome slides of historic paintings projected from the rear of a Translux screen. One advertising manager stole the show for his division at a series of divisional meetings by showing his products on the screen both in color and in *three* dimensions (accomplished with Vectograph slides).

Telephone Tie-up: Certain companies have found it impractical to pull all their sales force out of the field for sales meetings. Instead of a general gathering, they have district meetings with a telephonic tie-in with headquarters. They amplify the message and provide a two-way hookup to permit salesmen to ask questions. Radio is used in a similar manner. One large oil company has already used television for delivering a stockholders' report.

Meetings in Dramatic Locations: Frequently sales meetings may be given added impact by holding them in unusual locations. For example, one manufacturer, who was bringing out what he termed a "trainload of new products" held his sales meetings in a couple of railroad cars on a nearby siding. One car was used to display the new products, the other for meetings. One company with five days of sales meetings scheduled, held each day's session in a different hotel to avoid monotony.

Give Meetings a Theme: Some smart sales managers insist that each sales meeting be built around a central theme. Some motifs used are the circus, the county fair, the Gold Rush, the museum.

Use Prospects as Part of the Act: One firm utilizes customers and prospects. This company sells almost solely to purchasing agents, so several purchasing agents from their leading customers and prospects were invited to "be themselves" in sales demonstrations. Salesmen were each assigned a

different product to "sell" to one of the purchasing agents. The purchasing agent, of course, strongly resisted being sold. During each sales demonstration, the rest of the purchasing agents sat as a jury and criticized the sales presentation. This adds authenticity to the criticism, helps salesmen see themselves, etc.

Let Salesmen Run Meetings: For a change, some companies arrange to have certain district managers and field salesmen run the meetings. Of course, preparation of the program has been completed by headquarters before these participants arrive a day or two ahead of the meetings.

Be Sure Salesmen Are Comfortable: So far we have been concerned with the salesmen's minds. Many experienced sales executives have learned that it is equally important to pay some attention to the salesmen's bodily comfort. Consequently they hold their meetings in a suitable room with the entrance at the rear, with good lighting and adequate ventilation, comfortable chairs and a proper stage for the speakers. They have also learned that a rest period at 10:00 a.m. and 3:00 p.m. for coffee or coke pays off in greater attention afterwards. They start on time and stop on time. Every experienced salesman knows he can talk himself out of an order. Don't let the speakers on your program talk you out of the order.

All these points have been tested under fire. They are helping alert executives get their messages into salesmen's heads painlessly, sometimes even pleasantly. A thoughtful check of them may help you to make your sales meetings easier to swallow.

By Louis H. Brendel. *Sales Management,* February 15, 1949, p. 84:4.

Why Retailers Lose Customers

MANY merchants are wondering why they're losing customers in these days of keen competition. To throw light on this problem, the author and some of his research students recently surveyed representative store patrons in small towns, medium-sized cities, and one large city in Oregon. There were 21,755 answers given for all kinds of stores, 1,872 answers for women's wear shops, and 2,619 answers for department stores.

Of all reasons given by customers for discontinuing trade in all types of stores combined, high prices ranks first, though it was second in the case of department stores. Poor quality stands second for all types of stores combined, but fifth in the case of women's wear shops and fourth for department stores. Ranking next, in the following order, for all stores combined, were these reasons: delay in store services, indifference of salespeople, misrepresentation of merchandise, over-insistence of salespeople, haughtiness of salespeople. More minor reasons: store arrangement or appearance, attempted substitution of merchandise, errors, reluctance to exchange goods, wrong policies of management, tricky methods, ignorance of goods, and poor advertising.

If all patronage discontinuances due to inefficiency of salespeople—indifference, over-insistence, haughtiness, etc.—are combined, however, the picture changes. The figures stand at 51.72 per cent for inefficient salesmanship as against 23.59 and 12.31 per cent for high prices and poor quality merchandise in the case of all kinds of retail institutions taken together; for women's wear shops 55.99 per cent for inefficient salesmanship as against 19.93 per cent and 10.37 per cent respectively for high prices and poor-quality goods; for department stores, 63.97 per cent for inefficient salesmanship as against 13.91 per cent for high prices and 10.08 per cent for poor-quality merchandise.

The remedies indicated: More and better training of salespeople—in courteous treatment of customers as well as in merchandise information; lower retail prices; improved store management.

—N. H. Comish in *Dun's Review* 1/49

Trends in Salesmen's Automobile Expense Control

THE expense of operating salesmen's cars has risen in the past two years—but only by about 16 per cent. The insignificance of the rise is one of the most striking findings of a recent Dartnell survey* of the experience of approximately 300 representative companies which operate a total of well over 10,000 cars.

Exclusively salesman-owned fleets still make up the largest company grouping; however, it has dropped from 74 per cent in 1946 to 60 per cent today. This reversal is the result of two factors: More companies are finding it economical to own all or part of their salesmen's cars; and many firms are switching over to leased automobiles. Some form of leased-fleet operations now is being used by 9 per cent of respondents; the figure was only 2 per cent two years ago.

Whether this new trend in ownership will be a long-range one remains to be seen; however, there are several reasons why the change has come about.

Perhaps largely because of the short supply of automobiles in recent years, new leasing companies have appeared, which provide cars a company can't get otherwise. Some companies find the leased operation cheaper in the long run, and all find it cuts administrative work on salesmen's automobile expenses to a minimum. The strong market for used cars has enabled leasing companies to rent out cars for a year, without losing too much on the turnover. Also, their new cars have given company fleet operators an opportunity to replace their salesmen's troublesome old cars through one relatively simple transaction.

Increasing accuracy of cost control has enabled some managers of large fleet operations to go into company-owned equipment. The greater increase in mixed fleets over exclusively company-owned ones suggests that some companies are buying new cars for new salesmen who can't afford to do so or can't get delivery.

Performance and cost records, gathered over a period of years, have established beyond question the fact that a company which has a large number of salesmen who travel consistently will save money with a company-owned fleet. Even greater savings can be effected by a joint ownership program under which men who do little traveling are reimbursed for the use of their own cars while men traveling 10,000 or 15,000 miles a year use company equipment. In the present study, for instance, the national average per-mile cost on privately owned salesmen's cars was over 6 cents, while fleet operators reported costs per mile around 5 cents. It must be emphasized that this difference holds only when cars are in continuous use.

Corresponding with the general increase in the cost of doing business is the rise in the levels of automobile expenses. For example, two years ago, Dartnell reported the national average per-mile allowance for personally owned cars at $5\frac{1}{4}$ cents, with fleet operations costing a little less than 4 cents a mile. The results of this survey show that the current allowance for salesman-owned cars is 6.1 cents a

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* The survey report is divided into two sections: Part I—covering experience of aproximately 200 firms—deals with fleet operations in which the company has no investment, and methods which have been worked out for remunerating the owner-salesman. Part II deals with operation of partially or wholly company-owned fleets, and leased-fleet operations.

mile, with some companies paying as much as 10 cents and many companies considering an upward revision in their allowance schedules in the near future.

Whereas several firms are seeking to cut their automotive expenses by changing over to company ownership or leased fleets, no respondent found it practicable to cut expenses by lowering salesmen's allowances.

Another important trend noted is the decrease in popularity of paying expenses out of a straight commission. Whereas 10 per cent of companies reporting in 1946 took care of automobile allowances in the salesman's commission margin, only 4 per cent do so today. Also significant is the increased use of the sliding-scales method of compensation that has been noted. In two years, this type of compensation plan has spread from 9 per cent of companies to 21 per cent. Both trends would seem to indicate companies are taking more responsibility toward their salesmen, and considering remuneration for expenses something completely apart from compensation for work done.

Except in cases where the salesman's salary or commission is supposed to cover the cost of operating his automobile, there are three basic methods of paying his automobile expenses: Payment is related to mileage driven, is on a flat time basis by the day, week, or month; or is made by a combination of actual out-of-pocket expenses and a depreciation allowance.

Among the 165 respondent companies using personally owned cars exclusively, the largest group, as in previous years, is that which bases allowances on a flat mileage rate of repayment. This group includes 52 per cent of reporting companies. The next largest group, comprising 21 per cent, uses some form of sliding scale, which varies the per-mile rate paid on the basis of amount of mileage driven, in some cases taking into consideration such factors as different driving conditions in the various sales territories. Seven per cent make allowances on a flat time basis, 13 per cent use some form of time-mileage combination, and 4 per cent figure that their commission allowance is large enough to cover these expenses.

Whereas the reasoning behind almost any allowance setup is to attempt to compensate the salesman for expenses incurred in doing business for the company, a few companies set their automobile expense policies to accomplish other purposes. One contributor made this comment:

> We prefer that our men use their cars only when necessary; for that reason, we have purposely kept the car allowance low, paying them at the rate of 5 cents a mile.

Payment on a flat time basis accomplishes a similar purpose, though in most cases such payment schedules make a serious attempt at approximating salesmen's actual outlays.

Less than half the respondents mentioned any system of checking reported expenditures in their salesmen's automobile expense accounting procedure; those that do make only a cursory check. Two firms, however, have their men mail in expense forms nightly, thus providing the company a postmark check on their location. This gives verifiable data on the men's travels which can be checked against maps, prevents the men from making their rounds by telephone and charging the company for automobile operation across the territory.

An important postwar tendency is seen in the number of firms which have lowered the annual mileage figure at which a salesman is furnished

a company-owned car. Eight or 10 years ago, many companies supplied cars only for men traveling in excess of 20,000 miles annually. The more common practice today is to provide cars if annual mileage exceeds 10,000. The practicability of this may be shown by a simple arithmetical example: At the present national average of approximately 6 cents a mile on flat mileage payment for salesmen-owned cars, each car driven 10,000 miles would cost the company $600 a year. According to the average for company-owned equipment, that same amount of travel would cost the company only $500 for its own vehicle. On a fleet of 100 cars, the saving comes to $10,000 a year. And this economy increases as mileage driven goes up, being at least twice as great in the more typical case where a car is driven around 20,000 miles annually.

Some company fleet operators who trade in their cars every year or two feel that maintenance is not a major problem. One large operator of a partially company-owned and partially leased fleet commented that his organization has stopped using long and complicated maintenance check forms on the theory that these were an invitation for extra expenses; salesmen would be reminded of how to chisel and garage men would be invited to "give the works" to the visiting salesman. He finds it satisfactory to require occasional check-ups and make sure that salesmen take care of the ordinary needs of a car such as oil, grease, tune-ups, and conditionings.

Some operators of larger fleets, on the other hand, have found that a careful maintenance program is one of the keys to low-cost operation.

The 25 per cent a year depreciation rate used as a base by the Bureau of Internal Revenue for automobiles in business use has been found to be the most common plan for handling this aspect of fleet expenses. Of the 57 companies reporting which listed comparable figures, 38 either said they charge off 25 per cent a year or they depreciate the car over a period of four years. The next most common type of depreciation is the 20 per cent a year write-off. Seven companies reported that they charge off their cars at the rate of 33 1/3 per cent a year. Depreciation rates this high must be substantiated for federal authorities for tax purposes.

Following are listed other methods of handling fleet depreciation:

> 25 per cent, first year; 20 per cent for 3 years; remaining 15 per cent, estimated turn-in value.
>
> 50 per cent of purchase price in 50,000 miles.
>
> Over two years to a salvage value of $300.

Most fleet supervisors expressed serious concern over the matter of safety. Several have pointed out alarming increases in costs due to accidents. One oil company, reporting on its campaign to eliminate careless driving in its sales force, said it is now emphasizing safety rather than the appeal many firms had been using in recent years, "Take it easy; cars are hard to get."

One of the executives of a large organization operating a national sales force commented:

> Our accident rate has risen alarmingly in 1948. After 10 years without a fatal accident, we had four in 1948. I don't know what the reason is. We give a $25 bonus every two years to each man who has not had an accident. Now we are planning to give a quarterly bonus in addition, and safe driving is a regularly featured subject at our sales meetings.

Whereas smaller companies are limited as to how much they can do in this regard, many respondents reported taking some action to encourage safe

driving. Most common tool is the issuance of bulletins, prepared either by the company or by some outside organization such as an insurance company or the National Safety Council. Other methods: articles in company publications, posters, posted records, and various types of awards.

From *How 300 Sales Executives Handle Automobile Expenses: Parts I and II.* The Dartnell Corporation, Chicago, 1948. 53 pages plus charts. $7.50.

U. S. Co-op Progress Reaches Crisis Stage

THE consumer cooperative method of distributing and merchandising products and services has reached a critical point in the United States today. On the national level, there is drastic co-op retrenchment. The regional cooperatives are strong—with some exceptions. Locally, at point of sale, thousands of retail cooperatives are not keeping pace competitively with the chains and smart independent business organizations.

From a marketing standpoint, it seems that:

1. Many cooperative leaders—though lacking the time, management background, perception, and executive skill necessary for competing with profit business—still refuse to relinquish sufficient administrative authority to qualified technical experts.

2. Enthusiasm for a socio-economic ideal (consumer cooperation) is frequently used as a substitute for sound business methods, not a complement. This is especially true locally, where the lag in modern competitive merchandising techniques is sadly apparent.

3. The purely business operations of co-ops are still impeded by inherent political and cultural differences within the movement. Not the least of these is the urban-farm conflict.

Inspirational leadership is a key factor in the co-op movement. Because marketing responsibilities must go along with it, perhaps the development of such leadership should be studied, for that might indicate some of the distribution and merchandising difficulties cooperatives are now experiencing.

—HAROLD E. GREEN in ***Printer's Ink* 9/3/48**

Industrial Advertisers Boost Budgets

WITH estimates of sales and advertising appropriations at boom levels, percentage appropriations for industrial advertising are holding close to, or exceeding, both wartime and prewar yardsticks. This conclusion stands out in a study of the percentage of sales appropriated for advertising by 315 industrial manufacturers reporting to *Industrial Marketing* at the end of 1948.

The average advertising appropriation for 302 companies (after eliminating 13 whose high appropriations would distort "typical" figures) was 2.04 per cent of estimated sales. This compares with an average of 1.9 per cent reported by the National Industrial Advertisers' Association for the war years 1941-44, and with an average of 1.9 per cent reported to *Industrial Marketing* by industrial advertisers in 1946.

Advertising appropriations for basic materials and materials that have been partially fabricated or processed are generally higher percentage-wise than during the war period.

Building materials manufacturers, at the top of a construction boom eclipsing the 1920's, are currently making all-time record appropriations. Seventeen manufacturers in this group are currently appropriating 2.48 per cent of their sales, as against an average of 1.16 per cent during the war, a period when the government was the principal customer either directly or indirectly.

—HAL BURNETT in ***Industrial Marketing* 2/49**

Financial Management

Trend to Accelerated Depreciation

A year ago, debate was raging fiercely about the question of whether depreciation on replacement cost, or on index numbers indicating the fall in purchasing power of the dollar, would reflect net income for the year more fairly than depreciation on actual cost.

A preview of 1948 annual reports suggests that most of the experiments with novel depreciation methods have been abandoned, and that the concept of accelerated depreciation (better described as depreciation on accelerated use) is attracting more adherents. U. S. Steel, for example, has changed its policy of depreciation on new facilities to provide for more than normal charges when production exceeds the normal percentage of plant capacity. This relates depreciation to the actual use of facilities in somewhat the same manner as the generally accepted unit-of-production method. Other companies are adopting variants of the same idea.

This does not mean that the concept of depreciation on "current cost" has been abandoned. Its adherents stoutly maintain its virtues, and serious studies of its possibilities are being continued. But no one has developed a generally accepted method of depreciation which would take into account the changes in the value of the dollar. Most of those who attempted to do so last year have returned, for the time being at least, to more conventional behavior.

Now, what for want of a better term is called "accelerated" depreciation (it implies "de-celeration" in periods of subnormal use) is, of course, wholly acceptable if based on actual cost and applied systematically and consistently. In fact, it is likely to reflect annual income more accurately than the time-honored straight-line basis, the principal merit of which is convenience. In present circumstances, however, there may be some danger that the related desires to minimize profits and to hold back earnings for high-cost replacements may lead to invocation of the principle of acceleration as justification for more or less arbitrary charges against income, which are not susceptible to objective measurement and cannot be consistently followed in the future.

Fuzzy conceptions of acceleration are particularly likely when it comes to urging recognition of this principle for tax purposes. Many business men advocate allowance of high initial depreciation charges — apparently unrelated to use or usefulness—as an incentive to construction of new plant and equipment. Even if it were conceded that an artificial stimulus to expansion of productive facilities is socially and economically desirable at any given time, which is debatable, this particular proposal is questionable. The income tax is supposed to be a tax on income, and the more this concept is distorted by arbitrary restrictions, rebates, penalties, and subsidies, the worse it will be, in our opinion, for the free enterprise system as a whole. Taxable income ought to be brought back into line with "business income," rather than driven further away from it. But an even more practical consideration is the fact that high de-

preciation allowances now mean lower allowances later, when tax rates may be higher.

The purpose of depreciation accounting is to allocate, in a systematic manner, the costs of productive facilities over their useful life, so as to measure periodic income as precisely as possible. A system which relates periodic depreciation charges to the actual use of facilities, or their economic usefulness, is probably better for this purpose than one which is related only to the passage of time. But in any event the charges must be systematic, objectively measured, and on a consistent basis from year to year.

The accounting profession must accept responsibility for seeing to it that "accelerated depreciation" is not used merely as a euphemism for equalization of income.

The Journal of Accountancy, April, 1949, p. 271:2.

Capital Is Mortal

THE formation, use, and eventual loss of capital follows certain well-defined laws and falls into fairly well-defined patterns. The crude, abstract view of capital as something used for productive purposes which does not deteriorate, or which is constantly renewed by its own operations, is theoretically plausible, demonstrably correct for a short term, and completely fallacious for a long term or as a general principle.

The outcry against strangling monopolies, the pressure of enormous aggregations of capital, and the concentration of wealth seems much less important when we consider how transitory these things are. The Hudson's Bay Company is probably the oldest continuous business in the world. Yet it was organized as recently as 1670. The enormous aggregations of capital represented by the Fuggers or the Medici have melted away. A business 100 years old is a rarity, and the average life of an enterprise is much less than that.

If this were not true, the whole world would probably be the property of a few Sumerian or Minoan families or would belong to a small consortium of Babylonian or Chaldean banks. The state socialism of the Incas would be in successful, benevolent, and suffocating operation. A Chinese bank or two of 900 or 1,000 B. C. would probably control most of Asia.

These things have not happened. If the crude theory of eternally preserved or self-renewing capital were true, they should have happened. What stopped them? Why did such financial institutions die, disintegrate, and disappear? For one basic reason: the ultimate end of all capital is to be lost. As Swinburne says,

"Where even the weariest river (of capital)
"Winds somewhere safe to sea." (of loss)

This is, perhaps, a sad picture. But the gloom is not unrelieved. A static, stratified and unchanging civilization is, without doubt, the most favorable to the preservation of capital for an indefinite period. It is also, to my mind, the dullest, most unproductive and most unsatisfactory in which to live. An Egyptian or Brahman stability is not attractive to the Western or European mind.

—MAURICE E. PELOUBET in *The New York Certified Public Accountant* 6/48

• TELLING YOUR PROFIT PICTURE to employees may kick back unless you do it skillfully. Figures in millions or hundreds of thousands can make the wrong impression on the employee who is dragging down $50 a week — before taxes. The pie chart showing distribution of the sales dollar gives the most effective illustration of how much is actually going to labor, to reserves, to stockholders, etc. One company uses a statement that reflects annual figures in terms of the workers' own operations: "Your work contributed $6,500 worth of goods or services. We paid $3,500 of that to you in wages, kept $500 for contingencies, put $500 into repairs and upkeep around the plant, and $1,500 into taxes, interest, raw materials, etc."

—Research Institute of America

Standard Costs Versus Actual Costs

MUCH has been written on the subject of standard costs and actual costs. In the main, accountants agree on these concepts. There is still a great deal of misunderstanding by departments in industry, however, as to their meaning and use.

Cost figures may in general be said to be divided into two broad classes, *viz.,* predetermined costs (standard costs), and historical costs (actual costs).

Actual costs are computed at or after completion of production. Such cost figures have value only from a historical viewpoint. They may have definite value in correcting past practices if they are carefully analyzed, but the inefficiencies and errors of production are not ferreted out until after the damage has been done.

Standard costs, however, are predetermined and established on a basis of stating what the standards of operation should be. They thus provide a more or less scientific yardstick against which actual cost figures may be measured to discover variations from standard. These variations form the basis of study to ascertain their causes, so that inefficiencies and waste may be eliminated as far as possible. An equally important reason for using standard costs is the opportunity they afford for reducing clerical labor and expense.

Standard costs are created through the use of a number of sources of information: (a) time studies; (b) engineering department estimates (especially on new items or changes in design); (c) production or factory estimates especially as to time and labor factors; (d) historical costs (actual costs) accumulated by the accounting department (involved here also is information needed from other departments to determine possible trends with respect to immediate future labor costs and material purchase costs).

Where there is a widely diversified line of products, it would be impractical to maintain actual costs daily, weekly, or monthly on every item produced, since this would necessitate the use of much additional personnel. Standard costs are generally an accounting, financial and production tool. Through the use of standards, it is possible to conduct accounting operations at a minimum of expense and, at the same time, reflect a reasonably accurate statement of conditions and operations on an over-all basis on interim reports during the current year.

Standards properly established can be used for the following purposes:

1. Inventory pricing and inventory control, avoiding pricing at first-in, first-out methods involving considerable work and clerical personnel.
2. Measuring factory efficiency and determining excessive (actual) costs in factory operations.
3. Relieving current costs of excessive or inflated material costs.
4. Providing a standard of production for factory bonus computation.
5. General accounting purposes in costing sales at standard.
6. Reducing clerical labor and expense.
7. Keeping management informed on the over-all trend of factory costs and operations.

There are also a few "don'ts" in the use of standard costs. The sales department should not use standard costs for adjusting prices (except where standards are fairly representative of actual costs). Standard costs ordinarily should not be used for costing of special sales. The engineering department should not use standard costs alone for determining possible changes in design or production, but should use the actual cost also.

Actual costs can be used as follows:

1. By the sales department for all pricing considerations and adjustments. These costs are not to be construed as permanent costs and are subject to immediate change without notice.

2. By the engineering departments, together with the standard costs, for determining changes in design or production.

3. By the accouning department for costing all special items.

4. By the accounting department for preparation of complete actual costs for use by the departments listed above and for historical purposes in the redetermination of standards when conditions warrant this.

5. By the factory for determination of economical quantity operations and outside purchases.

In viewing the above, we must also bear in mind that the actual costs are not necessarily the factual costs because of variations in methods of operation. Moreover, there is a major element of lag time in arriving at actual costs. Actual costs are prepared periodically, within, say, six-month or one-year periods, depending on such factors as material cost variations, labor cost variations, and overhead variations, all contingent on major changes which would materially affect the particular cost.

The pattern which generally should be followed depends entirely on the nature, item, and line (diversification of products). Small companies producing but few items might well be able to operate on an actual (job) cost basis, while companies manufacturing larger and more diversified products would find it much more advantageous, if not necessary, to establish and maintain a standard cost system.

BY C. T. BLACKMORE. *Monthly Bulletin of Illinois Manufacturers' Costs Association,* October, 1948, p. 1:3.

Costs of Employee Benefits Programs

NO exact figures can be given as to the amount employers will have to pay to install various types of benefits programs. Nevertheless, the figures presented below do give an indication of first-year costs as a per cent of payroll under various standard insurance arrangements. These estimates should enable negotiators better to judge the monetary equivalent of this type of "fringe" benefit.

The simple benefits table below offers a general idea of how much a group insurance program will cost today. It shows clearly, too, the leeway which exists to shape a plan to meet any cost figure.

Assuming an employee group whose average pay is $50 a week, the table outlines the benefit amounts and some possible alternative types of combinations that can be financed by a sum equal to approximately 3 per cent of payroll. The actual cost to management is, of course, less if contributions are required from employees who wish to participate in the benefits.

PLANS FOR 3% OF PAYROLL

	Combination A	*Combination B*	*Combination C*	*Combination D*
Life Insurance	$2,000	$1,500	$3,000	$2,000
Accidental Death and Dismemberment	2,000	1,500	3,000	—
Weekly Accident and Sickness Benefits	25	25	30	15
Hospital Expense Benefits—				
Employees:				
Room and Board Daily Limit	6	8	8	8
Maximum Benefit for Other Charges	60	80	80	80
Dependents:				
Room and Board Daily Limit	6	8	—	8
Maximum Benefit for Other Charges	60	80	—	80
Surgical Expense Benefits (Maximum)	150	150	225	225
Medical Expense Benefits (Maximum)	150	—	—	150

Certain assumptions are made, in

these calculations, on the type of policy and nature of the workforce covered:

(1) The life insurance figures assume that the average premium per employee is equal to that charged for a 45-year-old.

(2) The accidental death and dismemberment insurance covers both occupational and non-occupational misfortunes, but the other benefits cover only off-the-job disabilities.

(3) The weekly disability benefits, as well as the medical expense benefits, first start with the eighth day of illness, but if the disability is due to an accident, they begin immediately.

(4) Hospitalization benefits are limited to 31 days. For the dependents' coverage, 70 per cent of the employees are assumed to have dependents.

(5) The surgical policy maximum benefit is allowed only for a few specified major operations. Benefits for less serious operations are smaller, according to a standard list of different types of surgery and benefits payable for each.

(6) The medical expense benefits figure is the maximum allowed for doctor's calls for any one disability, at the rate of $2 for office calls and $3 for home and hospital calls.

There are other even more important cost considerations, particularly (1) the likelihood of extra premium charges because of special insurance risks in the group covered, and (2) the strong possibility of cost reductions later on the basis of favorable claim experience.

Insurance companies charge extra premiums of 15 per cent or more for most insurance other than life insurance if a sex and color breakdown of the employee group shows more than 11 per cent females or non-whites. These premiums mount steeply as the proportion of females or non-whites increases.

Extra charges are also in order for many industries on the basis of occupational hazards. In some cases, the extras may run as high as 50 per cent or more.

If necessary to confine costs to a specific limit, increased expenses due to such special charges are often offset by modifying one of the benefits.

On the other hand, original costs tend to drop once the plan is in operation for some time. On the basis of the experience record, costs frequently are reduced considerably—as much as 10 to 20 per cent and even more — through dividends or rebates from the insurance company, as well as through rate reductions for subsequent insurance years.

Collective Bargaining Negotiations and Contracts (The Bureau of National Affairs, Inc.), April 29, 1949.

Use of Profits for Plant Improvement

A RECENT *Mill & Factory* survey, conducted among executives of all types and sizes of manufacturing companies, was designed to determine what percentage of 1948 profits will be used for plant improvement.

The survey findings:

Ten per cent of the respondents are not planning to use any of their 1948 profits for plant improvement in 1949. Thirty per cent of those answering the questionnaire plan to use from 26 to 50 per cent of their 1948 profits for plant expansion and/or modernization; 21 per cent expect to use from 11 to 25 per cent of their 1948 profits for this purpose. Ten per cent are still uncertain about their plans.

—*Mill & Factory* 3/49

Insurance

Executive Responsibility for Fire Prevention

NOT long ago, a Douglas DC-6 airliner crashed, killing 52 persons. What was the cause? Fire. In April, 1947, in Texas City, explosions occurred in which 512 persons were killed, and nearly 2,000 injured. What caused the explosions? Fire.

In the past, occurrences such as these were regarded as Acts of God. There was no organized effort to prevent them. Little information on the subject was available. Today, however, such catastrophes are a matter of national concern. Every modern scientific facility that will help in determining the cause of a disaster and isolating the responsibility for it is utilized in the interests of the community.

The implications for owners and managements—of every type of enterprise—are clear. An owner who operates his own business may be considered personally responsible for any negligence in the operation and may thus be held financially or criminally liable in case of disaster. In the event of financial judgment against him, not only may his business assets be reached but his personal fortune is subject to confiscation. Owners of larger enterprises, operated by executives accountable to them, may similarly be held responsible in the event of disaster, though they may have no actual knowledge of the condition causing the disaster. In the case of a partnership or a joint venture, though only some of the partners may have had knowledge of a dangerous condition, each partner may be charged with knowledge or have what is called constructive knowledge and thus be held liable. The personal fortunes of each partner may jointly or severally be reached by judgments.

Assets of a corporation may be reached by judgment, but when the assets have been exhausted there is no further source of recovery from the corporation itself. Personal fortunes of the stockholders ordinarily cannot be reached. There is nothing, however, to prevent an injured party from bringing suit against officers, directors, or employees of the corporation, jointly or separately, and their personal fortunes may be reached in case they are held to have been negligent. They may also individually be held criminally liable for their individual acts.

Stockholders' suits against corporation managements are by no means uncommon. While most suits of this type have to date involved charges of financial mismanagement, it is not impossible that in case of a disaster seriously impairing the company's financial condition, and directly traceable to top management negligence, a stockholder might, on behalf of the corporation, recover against the officers and directors of the firm.

The precautions that members of management must take to prevent disasters for which they may be held accountable are numerous. The executive must thoroughly familiarize himself with the principal contracts under which his firm is transacting business so that he may be certain he does not violate their provisions. He must be familiar, also, with the codes, laws, and ordinances applying to his operations. On the other hand, mere compliance with the law is not sufficient to avoid responsibility. Management is

required to exercise care, and in some cases extraordinary care, adopting every reasonable safeguard. This may mean an obligation to go far beyond the provisions of the controlling ordinances. In addition, the area in which management may be held responsible for the negligent acts of employees is so broad and ill-defined that, for all practical purposes, executives should assume, in determining precautionary measures to be taken, that they will be held responsible for employees' acts.

The executive must have a full knowledge of the principal provisions of his firm's insurance contracts so that he may comply with them, and so that no act of his will render them void. But, in taking precautionary measures to prevent disastrous occurrences, management should act as though there were no insurance.

There is one element related to insurance which should be mentioned here, for it has been brought into recent prominence. Many insurance policies contain what is known as a subrogation clause. This is a provision to the effect that, having paid a loss to its insured, the insurance company has the right to seek recovery from third parties responsible for the loss. There is an increasing tendency on the part of fire insurance companies to exert this right. Thus if a fire occurs in one plant and spreads to adjoining premises, the plant may find itself being sued by the insurance companies insuring the adjoining premises.

Several recent occurrences will serve to point up the need for executive vigilance.

When fires occurred in Douglas DC-6 airliners, one of which was involved in the crash mentioned earlier, the Civil Aeronautics Board made a most exhaustive, ingenious, and scientific investigation and apportioned the blame among: the engineers who designed the planes; the builders of the planes; the operating companies; the pilots; the Civil Aeronautics Administration; another government bureau. And yet the condition that caused the fires was one that most of us would have considered an extremely remote possibility. It was described as having been through a "freak flow of air currents . . ." that "fires were caused without failure or malfunctioning of any operating mechanism of the airplane."

Not even the United States Government is immune to liability for negligence. About 250 suits, aggregating $200,000,000, arising from the Texas City disaster, are to be tried in Federal Court.

In Memphis, Tenn., in August, 1948, suit to the amount of $104,380 was brought against McCallum & Robinson, Inc., by K. D. Manufacturing Co. It was alleged that a bonfire kindled by an employee among inflammable material was left unattended in a strong wind, and that fire spread to the K. D. plant. Here are involved liability for damage by spread of fire to adjoining premises, and the employer being held liable for employee negligence.

The recent General Mills, Inc., fire has a number of important angles. General Mills were lessees of a building destroyed by a fire alleged to have been caused by the negligence of an employee of General Mills. The owner of the building, Goldman, sued General Mills for $200,000 for the loss of the building, $135,000 for loss of rent, plus $7,500 for cost of clearing debris. The Indiana Lumbermens Mutual Insurance Company under its subrogation rights sued General Mills for $110,643 on the ground that it had paid to the owner $100,000, the full amount of his policy, plus $10,643 gross rental loss. The case came to trial in November,

1948, and a verdict of $198,678 was returned against General Mills in favor of the owner of the building and the insurance company.

In order to study the hazards of his operation, the executive's best first step might be to provide himself with a complete plan or map of his plant. He should review the area, height, construction and spacing of the buildings and obtain an idea as to the probability of loss of a single building, or spread of fire from one building to another. Notes should be made on the plans showing fire walls, floor enclosures, fire doors, and other cut-offs tending to restrict spread of fire. Factors contributing to spread of fire, such as unprotected floor or wall openings, hazard of processes should also be studied. Consideration should be given to installation of fire walls, enclosure of floor openings, protection of window and door openings.

Next, the firm's fire fighting facilities should be scrutinized. Organization of plant fire brigade, fire alarm system, and proximity of public fire department should be considered.

One of the best aids to a study of fire or loss prevention is to prepare a flow chart, showing all materials going into the operation; the machines, apparatus and processes involved; the intermediate and finished products; etc. From this chart, a complete picture can be obtained at a glance. Bottlenecks can be discovered quickly. Hazardous operations can be seen in their correct relation to other operations. In one company, such charts are revised monthly to keep up with changes in operations. The mere making of the chart has resulted in correction of hazardous conditions.

All materials, particularly chemicals, introduced into the plant should be listed, and the properties of each determined. These properties should include flash point and burning point of all liquids; rate of burning or inflammability and toxicity of all materials. Materials should be studied not only as such, but in combination with one another, under various conditions of temperature and pressure. New synthetic materials are coming into increasing use. Their properties should be definitely determined under the particular conditions to which they will be subjected in the proposed operation, particularly the extremely high pressures and high temperatures now being increasingly employed in industry.

Safest methods of storage and handling of chemicals and inflammable liquids should be adopted.

The study to be complete should include the suppliers of raw materials, outside processors and suppliers of important parts or scarce ingredients making up the finished product.

Employees must be made aware that top management is actively behind loss prevention, and must be educated in safe practices. Program should include thorough inspections, of which a written record should be maintained.

All this may appear to be a formidable program. It would be if there were not so much valuable reference material and other assistance so readily available. Published standards of the National Board of Fire Underwriters and the National Fire Protection Association cover every detail of building construction and fire protection, prevention, and extinguishment. Fire insurance company engineers also can render valuable service. The Associated Factory Mutual Fire Insurance Companies and the Factory Insurance Association are particularly competent in this field. Information on hazardous

materials, too, can be had from these organizations. Moreover, there are available the services of the Bureau of Standards and other government bodies, and certain industries have conducted extensive research relating to their products.

From an address by Henry Anderson before the Greater New York Safety Council.

Safety Poker

EMPLOYEES recently were encouraged to play poker at Standard Register Company, Dayton, Ohio. But it was a game called "safety poker."

This was an important part of a successful, five-week safety drive. Announced by a special folder outlining rules and purposes, the "safety poker" campaign was participated in by all the plant's 1,500 Dayton employees. A perfect safety record was maintained during the entire program.

At the beginning of the week, each member of the plant received an ordinary playing card with the week's safety slogan and his name, check number, and social security number imprinted on its back. Each week the names of all employees were put in a hat, and 50 were drawn. The safety director interviewed the first 25 individuals whose names came out.

Those who knew the week's safety slogan without looking at the card were awarded a cash prize of $1. A $1 bonus was given if the employee had the card with him when he repeated the slogan. If any of the first group failed to answer correctly, names were taken from the alternate list until 25 winners were found.

Contestants employed in departments where factory rules call for safety clothing earned additional bonuses if they were complying with the rules.

At the end of the contest, each employee had five cards—a poker hand. Those holding the three highest hands received U. S. Savings Bonds in denominations of $50 and $25, and $10 in savings stamps, respectively.

Following was the cost of the entire operation—not too high a price to pay for a perfect safety record: playing cards, $60; imprinting, $70; 40 special posters, $6; announcement folders, $200; bonds and stamps, $66; Weekly bonuses, $300—total: $702.

—M. B. Pittman in *Factory Management and Maintenance* 11/48

Employee Insurance Survey

EVERY indication is that insurance will certainly be a topic of bargaining table conversation this summer. Following is a breakdown on a survey on the subject recently completed among companies in the Cleveland area by the Associated Industries of Cleveland.

When there are employee insurance plans in effect, here's how they work:

Expense shared by employee and company	170
Total expense borne by company	46
Total cost borne by employees	6
Total	222

Amount of policy (To this question many firms had to give several answers. This explains the seeming discrepancy in the total.):

17 companies	$ 500
125 companies	$1,000
40 companies	$1,500
68 companies	$2,000
28 companies	$2,500
21 companies	$3,000
14 companies	$5,000
7 companies	Other

Insurance Today and Tomorrow

THE insurance business today is well-managed, financially sound, and fully competent to cope with any internal problems that may arise. There are, however, a number of highly important factors outside of the insurance business itself which must be kept in mind in any attempt to forecast its future.

Let us first scrutinize the present internal condition of each of the main branches of the business.

In the fire insurance field, the year 1948 was the most profitable in a long time. It witnessed an increase of about one-eighth over the 1947 volume of premiums on a written basis, and well over one-sixth on an earned-premium basis. The loss ratio was down last year about 8.5 per cent; expenses were up by a fraction of 1 per cent. In fact, there were only two out of the last 30 years in which the percentage of underwriting profit was as good.

It looks as though this year would not show as large an increase in writings as we have been witnessing in recent years, though they are still going up somewhat; policyholders generally appear to have increased their insurance to a point more in line with our present inflationary values. Rate increases in recent years have not, however, been fully reflected in current writings, because a large volume of three- and five-year business was being carried to expiration at the old rates. These and other factors combine to make me feel that 1949 should be a banner year. I shall be glad to see this happen, because surplus to policyholders has not grown of late years nearly as fast as premium volume and the accompanying liabilities, so that relatively the industry is not as strong as it was before the prodigious increase in premium volume began. Nevertheless, the companies still have ample resources to care for the burden they are carrying or to meet successfully any unexpected and unusual losses. For one thing, security values, in proportion to intrinsic worth and earnings, are low, so that there is no reason to expect any sweeping drop in market values. Taxation remains oppressively high, and we shall probably see increases rather than decreases in the next year or two at least; but the industry generally has adjusted itself to this burden, as has business as a whole.

Pure fire premiums were about 50 per cent of the total last year, representing much the largest slice of the total volume.

Automobile showed a spectacular growth, from less than 65 million in 1933 to 275 million in 1941, but dropped to 135 million while driving was restricted during the war. These writings increased by about 60 per cent in each of the years 1946 and 1947 and by 25 per cent in 1948, to reach the unprecedented total of 530 million, nearly one-quarter of all business written by the stock companies. Underwriting results have varied greatly, with moderate improvement in 1946, substantial improvement in 1947, and in 1948 the line was well in the black, contributing materially to the over-all profit reported by the industry.

Inland marine advanced about 18 per cent in 1948, climaxing a steady rise from less than 30 million in 1933 to about 200 million last year, or about 9 per cent of the total. The 1948 experience was exceptionally good, with

a drop of five points in the loss ratio.

Extended coverage, introduced about 10 years ago, advanced about 12 per cent in 1948, to approximately 200 million, about the same volume as inland marine. This is potentially the most hazardous line now underwritten by the fire companies. The loss ratio has varied widely, with a comforting drop of 15 points in 1948 to 43.8 per cent—about six points under the five-year period.

In ocean marine insurance, the premium volume last year was about 168 millions. The operating figures of the last five years have been distorted by the inclusion of wartime Pandi business. The loss ratio reported last year was a little better than in the previous year, but the over-all figures are of little value in forecasting.

The growth in importance of the casualty and surety branch of the business is particularly interesting. When I first went to work, only about a score of companies were operating, and their total premium writings were trifling in amount. Now, with the assets of the stock companies reaching nearly $3 billion and premium writings approximately equal to those in the fire field, this branch of the business has certainly come into its own. If to the premium writings of the stock casualty-surety companies we add the accident and health volume written by stock life insurance companies, we reach a total of about 700 millions in excess of the fire volume. The inflationary increase in premium writings—about 22 per cent in 1946, 28 per cent in 1947, and 17 per cent in 1948—has clearly passed its peak; but the industry has not found it easy to absorb this increase, with the corresponding increase in liabilities. These factors have increased more rapidly than policyholders' surplus, so that, just as in the fire field, the relative strength of the companies is lower than a few years ago; but, in my opinion, they are still fully able to carry the load and even absorb some increase, if necessary. Existing conditions indicate that 1949 should be another good year for the casualty-surety companies. One of the most difficult problems in analyzing the present position of such companies is to attempt to estimate whether claim reserves are adequate, inadequate, or more than what will probably be required for the ultimate liquidation of the claims. The average cost of claims has been rising steadily and substantially.

From our study of this problem, we feel that the companies are maintaining reserves that are not only fully adequate, but contain a safety factor sufficient to absorb any unexpected future rise in claim costs. My office has not yet completed its tabulation of the results of the various casualty and surety lines in 1948, but we have a fair idea of what happened. Accidents and health results have been very steady for years, and continue to show a nice profit. Auto liability had its worst year in 1946, nearly broke even in 1947, and will probably show a modest profit in 1948. Other liability has been and continues to be profitable. Compensation also showed a comfortable profit. Surety and fidelity has been profitable, but glass has been running in the red for some years, though it was somewhat better in 1948. Burglary and theft showed marked improvement in 1947 and some improvement in 1948. Automobile property damage, which was very unprofitable in recent years, showed material improvement in 1947, and again in 1948, but probably the completed figures will not

show it in the black. Automobile collision is written mainly by the fire companies, and the rather small volume written by the casualty companies showed a profit in 1947, which probably continued in 1948.

It is estimated that at the end of 1948 the life insurance in force was approximately \$201 billion, backed by assets of the highest grade, amounting to nearly \$55½ billion. These policies are held by approximately 78 million policyholders. The volume of life insurance in force has doubled in a relatively few years—a fine commentary on the essential soundness of the average American. The life companies have been quite successful in overcoming the great disadvantage of artificially depressed interest rates. Improving mortality experience and careful economy in management have enabled the companies to maintain their reserves and steadily increase their strength.

Life insurance companies constitute one of the most important elements of the entire economy of the nation. The savings of the policyholders, represented by the assets of the companies, are at work in a wide variety of useful enterprises, and the managements are constantly seeking new fields for wise investment of the trust funds under their control. The foundation principles of the business are sound and conservative, and it is in a thoroughly healthy condition.

Now let us scrutinize the external factors that will influence the future of the insurance business.

First it is necessary to consider general business conditions. Beyond doubt, the peak of the postwar business boom has passed. Unemployment is increasing, but so far not at an alarming rate. Some important segments of the economy are still going full tilt, while others have slowed down. This is not a depression, nor does it seem likely that the slowdown will expand into a real depression in the near future. It is, however, a time for caution in commitments. Any wholesale slump in prices that catches industry with large inventories, purchased at inflated values, is apt to produce a higher loss ratio. Any great increase in unemployment is usually followed by an increase of claims under workmen's compensation and accident and health policies, to mention only two lines.

The decision of the United States Supreme Court that insurance is commerce, overturning a long series of contrary prior decisions handed down over a period of 75 years, was followed by the enactment of Public Law 15, which recognizes that it is in the public interest that insurance be supervised by the states, rather than by the Federal Government. In effect, Congress said that it would keep hands off provided the states did an adequate job of supervision, including control of insurance premium rates. This was followed by the enactment of laws in many states requiring a substantial increase in the activities of state insurance departments. What we have to guard against here is that in avoiding the setting up of another huge bureaucracy to supervise the insurance business we may have to deal with a lot of little bureaucracies within the states.

Another important factor to be considered is the huge federal debt and the continued spending by Congress under the constant prodding of the Administration. The cold fact is that even as rich a country as ours cannot long continue spending a billion dollars a week for government. Here and there in Congress a lone voice is heard crying in the wilderness about the need

for cutting expenditures and beginning the reduction of the public debt. Undoubtedly our legislators will eventually wake up to the dangers of the present spending program. I have such confidence in the inherent good sense of the American people that I believe they will find a way out of this maze of debt and bureaucratic waste while we still have something left in the sock.

From an address by Alfred M. Best (President, Alfred M. Best & Co.) before the Educational Luncheon Meeting of the Insurance Club of Pittsburgh.

Survey of Books for Executives

CHALLENGE OF THE AMERICAN KNOW-HOW. By Pearl F. Clark. Harper & Brothers, New York, 1948. 172 pages. $2.50.

Reviewed by Harlow S. Person

Recent events make the significance of this little book more apparent than when it came off the press. It is not a technical book, nor does it discuss details of a technique of American know-how. On its face it is a book of adventure: the observations of the wife of an outstanding industrial engineer, who worked with her husband, first when he was specialist member of the Kemmerer Commission to Poland in 1926, and later after he was practicing his profession, particularly in Poland and France and to a lesser extent in a dozen other European countries. The author was a writer by profession at the time she married Wallace Clark, and this book reflects a skill in writing carried forward from that background. For the record, it should be noted that she discontinued her own profession when she married, became a working partner with her husband, and has since his untimely death last July managed successfully the business which had attained and still maintains a high status among leaders of management consulting service in the United States and in Europe.

Point Four of the President's inaugural address—his "bold new program to develop the underdeveloped areas of the world"—has given American business leaders much food for thought. Comment generally has concerned itself chiefly with capital investment and conditions essential to a free flow of private American capital abroad. Discussion also has touched upon the need for making available American techniques and methods of production, but this has been largely incidental to concepts of investment. Improve conditions in underdeveloped countries by facilitating the investment of American capital, they say, and American techniques will follow. This, of course, implies substantial American ownership and ultimate if not immediate direction of enterprises in which investment has been made.

American investment and control, and incidental development of American production techniques abroad, would undoubtedly increase the productivity and lift the economies of many other countries. But would it improve their fundamental and especially social economic conditions? More than a decade of experience as management consultant throughout Europe—in developed as well as underdeveloped countries—has enabled Mrs. Clark to see more deeply and more clearly. In fact she makes no reference to such matters.

She is concerned with that more subtle phase of American know-how that lies beyond technical genius or skills. European owners can purchase American equipment and have it set up and operating under producers' guidance. They had studied intelligently and installed the forms of many of the American management techniques. Yet the Clarks' European industrial engineering experience found something more fundamental lacking. Most of the obstacles to effective production are in peoples' minds; in the minds of autocratic owners and managers, and in the minds of servile workers. This is not a relationship for optimum productivity. A mental revolution is essential; especially recognition on the part of managers that servile workers are a drag, but that free and respected workers can be creative participants in betterment of management and output. In short, what America should invest in Europe—even in developed countries that claim to stand for political democracy—is more democracy in production relations. Skills and methods, of course—but as tools for individual creative work. Though Mrs. Clark does not say it in these words, that would be the most effective antidote to the spread of communism. Then investment, not with ownership and control but in a form tolerable to self-respecting peoples, would be attractive.

The Basing-Point System. By Fritz Machlup. The Blakiston Company, Philadelphia, 1949. 275 pages. $5.00.

*Reviewed by W. Cameron Caswell**

A year has passed since the Supreme Court reached a decision which seemed to outlaw the basing point system of pricing. In that period, a veritable mountain of discussion, dissertation, and argument, both pro and con, has been written in all manner of journals and proceedings. Few if any books have been written on this subject, however. It is unfortunate that what is perhaps the first such book to appear since basing points became a matter of general discussion should reveal such bias.

In his preface, Mr. Machlup states that the great interest in this subject made it apparent to him that the material (which he had collected for a comprehensive study of pricing) "needed to be issued at once," that he feels "the material can be read with profit . . . by the vast number of business men who" (by the nature of their business) "must be conversant with the problem." Further on, the publisher is credited with "a remarkable job in producing the book with . . . record speed . . . realizing that it could render a public service."

Presumably, then, the book was rushed to the public — in such haste that there are noticeable typographical errors — with a special eye to delineating the basing point problem for business men. In this it fails.

Mr. Machlup's book may appeal to those who believe the basing point system was dedicated to nefarious ends, for it will reinforce their convictions. For others, who may be tempted to expand their understanding of the subject, it will be of little help.

The opening chapters describe the mechanics of basing point pricing. This section adds nothing except confusion to a matter which was thoroughly and clearly described by the TNEC some 10 years ago and by many others since.

Then comes a presentation of the case histories of the three best-known industries in which the FTC has attacked pricing practices: steel, cement, and corn products. From either a legal or economic point of view, this portion is less lucid than many such presentations which have appeared in *The American Economic Review,* the *Harvard Business Review* and other publications.

In the next two chapters, devoted to the monopolistic and discriminatory nature of basing point pricing, Mr. Machlup continually refers to "basing point cartels" and "vested interests"; he discredits the witnesses of the defense in cases before the FTC, casts doubt on the ethics of business men, and generally accuses them of devious and high-pressure methods in seeking legal clarification of the present muddle.

In the latter part of the book, the author enters into a lengthy theoretical discussion of the economic consequences of the basing point system; peculiarly, this does not include any but dire predictions. It is amazing that anything as bad as the system the author portrays could have survived so long.

In summary, for business men *The Basing-Point System* contributes little towards clarifying the problems involved in mechanics and uses of this pricing system. The book's socio-economic indictment of the system merely parrots what the FTC trial examiners have preached for years.

(Those interested in a more complete summary of Mr. Machlup's viewpoint might read his remarks at the U. S. Chamber of Commerce's December 1948 Economic Institute on "Delivered Pricing and the Future of American Business." The proceedings of this entire Institute, available at $1.50 from the Chamber, is a worthwhile cross-section of many opinions.)

* McKinsey & Company, New York.

Wage Policy for Management. By Sumner D. Charm. Funk & Wagnalls Company, New York, 1949. 224 pages. $2.75.

*Reviewed by Richard C. Smyth**

Wage Policy for Management presents a discussion of job evaluation, wage incentive plans, merit rating, and collective bargaining. The strongest point in the book is the author's stress of the importance of considering union and employee reactions to the application of these various techniques. Mr. Charm's discussion of worker attitudes towards wage incentives is also excellent.

The title suggests that various possible wage policies will be enumerated and discussed. Unfortunately, the author never does get around to any significant consideration of what management's wage policy should be. The treatment of the techniques used to effectuate a wage policy, such as job evaluation, incentive plans, merit rating, and collective bargaining, is particularly weak. For example, only half a page is devoted to the important technique of conducting an area wage survey when installing a job evaluation plan or checking a wage scale. Contrasted to this, the author devotes several pages to a "shorthand system" for the analyst to use in writing up job descriptions in conjunction with the installation of a job evaluation plan. The "shorthand system" recommended consists of a series of squares, large and small circles, triangles, and triangles within

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triangles, each of which is supposed to represent a basic operation. Why the analyst could not write up the job in simple English is not evident.

The executive seeking guidance in the formulation of a wage policy for his concern will receive little aid except for the author's well-presented and continued reiteration that the reaction and attitudes of the employees and their unions should be considered in the determination of such a policy. The student of labor relations or personnel work will only be confused by the inadequate discussion of the techniques involved and their application, and the practitioner attempting to apply these techniques in industry and commerce will find little that is of help to him. All in all, this book offers scant contribution to the existing management literature in this field.

THE EPIC OF AMERICAN INDUSTRY. By James Blaine Walker. Harper & Brothers, New York, 1949. 498 pages. $5.00.

For slightly over 300 years, the American people have been building a business system. Mr. Walker's book is the story of American achievement in the management of men, methods, machinery, and money. Above all it is a story of men—of the inventors, manufacturers and financiers who conditioned and helped make possible our way of life. It shows how, seeking liberty to trade, we were impelled to secure political freedom, and how our economic necessities have shaped our destiny as a people.

It is a story full of color and gusto, interesting as a novel, informative as an encyclopedia, and packed with little-known facts of vital current interest. Here are some, picked at random:

Profit sharing is not new. It was practiced in colonial times. The master of a whaling ship and each member of the crew shared with the owner in the success of every cruise. The youngest of the hands on the cod lines received a percentage of the catch. They shared profits as well as risks.

Accumulated capital in New England helped finance the growth of the nation. Profits from ventures to the West Indies and later in the China trade was the capital used for building our textile industry, constructing our railroads, and opening up the great copper mines of the west.

Shoe machinery, in its first broad application, served effectively to provide the Union G. I. Joe with foot-gear during the Civil War.

The "new process" of flour milling invented in Minneapolis revolutionized age-old practices and turned that little lumber outpost at the Falls of St. Anthony into the flour milling center of the world.

The first typewriter was patented in England in 1714, but there was no commercially successful writing machine until Christopher Sholes, Milwaukee printer, perfected his machine in 1873. Few typewriters were sold, however, until stenography was linked with typing as a business aid. That, more than any other factor, opened the doors of business to women.

Modern salesmanship grew out of the necessity of demonstrating agricultural machinery, business machines, and other equipment to skeptical buyers. Advanced technical, educational, and engineering services had to be applied to salesmanship. This distinctly American adjunct to selling helped to spread our products throughout the world.

Andrew Carnegie retired from business at the age of 29 with an annual income of $50,000. Thirty-five years later, having revolutionized the steel industry and assisted in the organization of the U. S. Steel Corporation, he sold out his interests in the Carnegie Steel Company for $225 million.

An oil man instead of a steelmaker was the first to see the great possibilities in the Mesabi iron ore fields. John D. Rockefeller bought up a vast treasure of iron ore at depressed prices in 1893, remarking casually, "I was astonished that the steelmakers had not seen the necessity of controlling their ore supply."

The use of radio for advertising was frowned upon in 1922 by such publications as *Printers' Ink* and the *Radio Dealer*.

When President Roosevelt called for a production of 50,000 airplanes in 1940 it seemed incredible, but it was done, and in 1944 we produced 96,269.

Americans, who comprise less than 7 per cent of the world's population, today possess one-third of its wealth.

HOW TO REDUCE DISTRIBUTION COSTS. By Richard D. Crisp. Funk & Wagnalls Company (in association with *Modern Industry* Magazine), New York, 1948. 390 pages. $5.00.

*Reviewed by Albert Haring**

This volume is practical, useful, and suggestive. Mr. Crisp has presented his material just as if he were participating in an executive conference to formulate plans for reducing the distribution costs of a specific firm. The most applicable word in the title of the book is *how,* and techniques are discussed only with respect to their successful

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application and their relative cost. The approach is thus efficient and helpful.

In tackling the problem of effective and low-cost selling the "iceberg" or isolation analysis is used. "A gain or loss in your total sales is like an iceberg. Part of it is in plain sight. But there is more to it than meets the eye. Part of it is at first invisible, like the part of an iceberg below the water line. The part you can't see is often bigger than the part that is visible." For example, a general sales decline of 10 per cent may represent a gain of 20 per cent in one product and a decline of 30 per cent in a second product. Similar variations occur among regions and districts. The principle is to subdivide until the 10 per cent sales decline is pinpointed—by product, by area, by type of distribution, by salesman.

The over-all problem of lowering sales costs is broken into segments and then treated by the "pinpoint" principle. A brief summary of the sub-divisions: analyzing sales into usable units, locating soft spots, establishing sales trends, analyzing customer types, sales concentration patterns, measuring potentials by area, objective examination of salesmen's activities, competition, practical quotas, basic marketing facts needed, how to develop marketing facts, market indices, how to organize a cost reduction program. From his wide experience in distribution, both in industry and with an advertising agency, the author has selected specific illustrations and flavored the text with business cases.

Certain specific conclusions and recommendations are made which are pertinent to any concern that is making a sincere effort to attack selling and distribution cost:

1. A *lean* program of sales analysis and control is much more practical than an attempt to provide complete control of all details. Confusion is more likely to result from an attempt to cover all possibilities.
2. Fact-finding is a business tool. It should be judged as any other investment in tools, from a profit-and-loss point of view. If you cannot use marketing facts after you get them, they are not worth a dime and you should not spend a dime to get them.
3. Experience of many companies has shown that one-half of 1 per cent of net sales is the figure beyond which few companies are willing to invest in marketing facts until the direct profit contribution of such facts has been proved. This ratio of ½ of 1 per cent is recommended.
4. The job of digging out and applying marketing facts should be assigned to someone who has no other primary responsibility. This individual must be carefully introduced to and "sold" to management and the sales force.
5. Rather than unduly expand a company staff, a single competent man or limited permanent staff is recommended. Special work can be purchased from outside specialists and agencies instead of developing high overhead for fact-finding.

This book is recommended. Careful reading will yield dollar-saving ideas. In well-organized form, the executive is given the "how" and "why" applicable to several hundred specific situations in which distribution costs have been cut by modern methods.

APPLIED JOB EVALUATION. By H. Geddes Stanway. The Ronald Press Company, New York, 1947. 81 pages. $3.50.

*Reviewed by L. C. Lovejoy**

Subtitled "A Manual of Installation and Operating Methods," this brief text is evidently designed to provide a general orientation for those embarking on a job evaluation program.

The opening chapter outlines the historical background of compensation administration, points out the inequities that occur when a wage plan is non-existent or haphazardly organized, and discusses the effects of labor supply and demand on wage and salary rates. Attention is directed to the trend toward more formal programs for determining labor costs. Several objectives that can be achieved through a properly formulated and smooth-working evaluation plan are cited, as are the concomitant benefits of such a plan to both management and employees. The author refers to a number of problems that may arise in formulating and installing the plan, but he does not attempt to offer detailed solutions to them. (It is but fair to state, however, that no one can describe or design a plan that is universally applicable, much less answer all the diverse questions that will present themselves in the administration of job rating.)

The various step-by-step procedures for developing the formal plan are presented in the second chapter, which indicates the vast amount of important detail work that must be undertaken prior to the installation. Mr. Stanway points out the paths to be followed and, to illustrate more clearly each of the processes, provides examples of forms utilized; but each step is not sufficiently detailed for a novice to set up an evaluation plan without considerable additional research and study. Incidentally, the author does not champion any single system of evaluation; rather, he gives the reader the essence of the principal systems now in use.

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This book is not particularly prescriptive, and it is assumed that the author did not intend it to be so. Nevertheless, this reviewer feels that more specific information could have been included on certain phases of the subject—e.g., weighting of factors, pricing, and other matters which confuse the uninitiated. While this criticism may be leveled at Mr. Stanway's work, however, it should be applied in general to much of the published material on job evaluation.

Applied Job Evaluation is a contribution to the literature of this field, constituting as it does a satisfactory over-all outline of the subject from which the reader may advance to more detailed study and research before he builds and installs a formal job evaluation plan for his organization.

PUBLICATIONS RECEIVED

(Please order books directly from publishers)

GENERAL

FUNDAMENTALS OF INDUSTRIAL ADMINISTRATION—AN INTRODUCTION TO MANAGEMENT (VOL. II). By the late Edward T. Elbourne. MacDonald & Evans, 8, John Street, Bedford Row, W.C.1, London, 1948. Fourth revised edition. 420 pages. 17*s.* 6*d.*

GATX: *A History of the General American Transportation Corporation.* The General American Transportation Corporation, 135 South La Salle St., Chicago 90, Ill., 1948. 198 pages.

ECONOMICS

TOMORROW'S MONEY. By F. J. Frazer and E. P. Morse. The Anna T. Milburn Foundation, P. O. Box 846, Hollywood 28, Calif., 1948. 280 pages. $3.00.

INSTABILITY OF EMPLOYMENT IN THE CONSTRUCTION INDUSTRIES. International Labour Organisation, Geneva, Switzerland, 1948. 56 pages.

ECONOMICS OF INTERNATIONAL TRADE. By H. Killough and L. Killough. McGraw-Hill Book Company, New York, 1948. Second edition (revised). 464 pages. $5.00.

LABOR RELATIONS

MANAGEMENT LABOR RELATIONS: *A Handbook of Applied Personnel Practices in Cleveland.* The Associated Industries of Cleveland, 1615 N. B. C. Building, Cleveland 14, Ohio, 1949. 18 pages.

COLLECTIVE BARGAINING. By H. Lazarus and J. Goldberg. The Public Affairs Institute, 312 Pennsylvania Ave., S.E., Washington, D. C. 72 pages. 50 cents.

COLLECTIVE BARGAINING IN THE TRUCKING INDUSTRY. By N. P. Feinsinger. University of Pennsylvania Press, Philadelphia, 1949. 42 pages. 75 cents.

INDUSTRIAL RELATIONS WORK KIT. National Foremen's Institute, Inc., Deep River, Conn., 1948. 76 pages. $2.50.

HOW TO HANDLE COLLECTIVE BARGAINING NEGOTIATIONS UNDER THE TAFT-HARTLEY ACT. National Foremen's Institute, Inc., Deep River, Conn., 1948. 132 pages. $5.00.

THE TAFT-HARTLEY ACT—A YEAR AND A HALF OF ADMINISTRATIVE AND JUDICIAL CONSTRUCTION. By R. A. Levitt. *New York University Law Quarterly Review,* Room 720, Main Building, Washington Square, New York, N. Y., 1949. 156 pages. $2.00.

MARKETING AND SALES MANAGEMENT

INFORMATIVE LABELING IN DISTRIBUTION. Domestic Distribution Department, U. S. Chamber of Commerce, Washington 6, D. C., 1949. 24 pages. 25 cents.

THE LAW AND ECONOMICS OF BASING POINTS. By E. B. George. Dun and Bradstreet, Inc., 290 Broadway, New York 8, N. Y., 1948. 24 pages. Gratis.

THE BUYER'S MANUAL: *A Merchandising Handbook.* National Retail Dry Goods Association, 100 West 31st St., New York, 1949. Revised edition. 416 pages. $5.25.

FUNDAMENTALS OF RETAILING. By I. Goldenthal. Better Merchandising Institute, 1270 Broadway, New York 1, N. Y., 1949. 40 pages. $1.50.